
East Europe

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East Europe

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[Sisz] If everything goes well and to the liking of the peasants, then within 3 or at most 4 years this slogan will become reality. After all, private farms are like factories, except that they are outdoors. Their activation requires: capital, land, labor, a favorable agricultural policy, and a friendly Providence. Then we shall attain farm output in quantities sufficient to meet our needs and even for export.

Let me draw attention to one other, tremendously important problem. I mean the manner in which urban dwellers, the entire society, the rulers and the ruled, the coalition-government side and the Solidarity side, interfere and view rural affairs.

Loans can be gotten, the favor of Providence obtained by prayer, and industry retooled for the needs of agriculture, but the view of city people on rural affairs cannot be changed that soon. I have been traveling across the country, talking with people, watching television, and reading newspapers, and sometimes I find it incredible that every Pole is offering a ready-made prescription for the recovery of agriculture or improvements in its condition. The advice given varies. Some shout raucously that socializing agriculture and saturating it with machinery and technologies will suffice for us to have plenty of food, while others clamor for augmenting the area of farmland, and others still even demand the reintroduction of compulsory deliveries.

And what does the press say? It keeps saying the same thing, discussing spring sowings and harvests, and later root crops, and, at harvest time, mentioning the shortages of ordinary string, rubber boots, or, in winter, fairs needed for a higher springtime milk yield. Sure, there is a need for everything. Every pair, every meter of string, and every pair of galoshes will be of use. But these are banalities and stereotypes. They cannot serve as a basis for more general conclusions, for even if these goods were available in sufficient quantities, this would not in any way resolve the peasant question.

[TYGODNIK SOLIDARNOSC] You believe that the public's knowledge about the Polish countryside is limited?

[Sisz] It is practically nil. What is more, ignorance alone would be only half the problem, but the problem is compounded because a large segment of the public has antipeasant sentiments and attitudes. When asked where people are better off, everyone will say, "In the countryside." Thank God and thank our Solidarity, this sentiment and attitude is gradually changing.

[TYGODNIK SOLIDARNOSC] Perhaps this reflects the public's limited knowledge about the problems of peasants, of farmers?

[Sisz] I would link this to something else. Consider for example the treatment of the countryside by contemporary Polish cinema. What does it show about us peasants, about our quotidian problems? I like to view these films, but what I see terrifies me, because most often they

supervisory organs provide an opportunity for us to present our ideas in more detail as soon as possible, and that in the meantime the enterprise's random reduction be stopped."

[Publishing manager] "To this date we have not received a response. Even though everything we said was true, the publisher's great asset, a core of experts which has dealt with social sciences for a long time, is disintegrating. Today they are pointing fingers at those who in earlier days were hired presumably on the basis of personal connections, regardless of how inexperienced they were. And it adds a lot to our bitterness that the president is also an alien. He entered the publishing business after 15 years at party headquarters." [passage omitted]

Cause For Optimism?

[Union representative 2] "I came to this publisher a year ago. I could not believe my eyes when I saw in writing that publications are planned at a loss from the outset. Accordingly, a loss is incurred even if every copy is sold. And this is inconceivable with respect to these works. There were packages of books paid for by basic organizations which were returned unopened because people would not take those books even if they were given away free." [passage omitted]

POLAND

Rural Solidarity Leader on Farm Production, Distribution

26000646 Warsaw TYGODNIK SOLIDARNOSC
in Polish No. 1, 2 Jun 89 p. 7

[Interview with Jozef Sisz, chairman, Solidarity of Private Farmers (Rural Solidarity), by Cezary Jagiello: "Hat Off to the Ground"; date and place not given]

[Text] [TYGODNIK SOLIDARNOSC] Mr (chairman, in 1981 one of your slogans was, "Once you register us, you will eat ham rolls." The already proverbial crunchy bread rolls of Mr Krasiniski are steadily going up in price, and a slice of ham (especially the nonrationed one) costs a great deal. Does there exist a chance for those rolls and that ham to be more available?

[Sisz] There had indeed been such a slogan. But anyone who knows even a little about farming is aware that it runs in production cycles which take 1 year for grain, 2 years for hogs, and 3-4 years for milk production. Yet, our Rural Solidarity has been legally active for only the last 7 months. There was not much we could accomplish within that short period of time; we have not even yet succeeded in organizing ourselves in every voivodship. Even now, however, I consider this slogan to be valid.

[TYGODNIK SOLIDARNOSC] You believe it even though the crisis has affected the countryside and struck agriculture? Will the peasants really feed us?

show a skewed and distorted image of our peasantry. In the 1930s, nearly always, the peasant, whether a hero or a villain, is quarrelsome, litigious about every little piece of land, a skinflint, and greedy for every penny, and to top it all, a bottle with a red label [vodka] appears on his table at any occasion. Is this the truth about us peasants, who account for one-half of the nation? Why are not there any films showing our origins, our arduous toil, and our continual contending against problems which the townies cannot even conceive of?

[TYGODNIK SOLIDARNOSC] How did this come about?

[Siz] Because we were and still are being taken for granted and regarded as second-class citizens. Besides, why should we be taken into consideration since the official agricultural policy toward us, peasants, including its cultural, social, and economic aspects, has been based on the premise that we are a transition stratum, that we shall disappear from the map of Poland in measure with the growth of socialism.

I am not going to enumerate our troubles and grievances as peasants; there would not be enough paper for that. But a situation like this simply cannot continue, with one-half of the truly toilworn nation being condemned to the worst of everything: to lack of access to schools, hospitals, health centers, stores, movie theatres, and books. I repeat, one-half of the nation, which feeds the other half, produces something that counts, and accounts for a substantial part of the gross national product, cannot continue to exist in this manner!

[TYGODNIK SOLIDARNOSC] But are you so blameless yourselves? Your children abandon land under any pretext and look for jobs in the city. Your sons live in workers' hostels, and your daughters look for and catch urban bachelors, who are not always the best catches.

[Siz] Is this our fault alone? Given the current crisis, it is increasingly difficult to find urban housing, and even if it is available, there are the food shortages. Perhaps I am being subversive, but I think that this affords us, our Polish young people to remain on the farm, despite the backwardness and neglected infrastructure of the countryside. This applies especially to the so-called Eastern Wall [provinces bordering the USSR], the northern voivodships, and the Sudeten Piedmont, which represent half-dead regions that lack practically any infrastructure. Is it surprising that the young rural generation in precisely these regions is looking for easier ways to make a living? For the time being, the conditions in the countryside are, of course not everywhere, not so attractive as to keep young people on the farm. But this must change. And our Rural Solidarity will fight for it. Because in some fields regression has already taken place. For example, large rural families are nowadays a rarity, and what is more, there are regions with 95 women to every 100 men.

[TYGODNIK SOLIDARNOSC] The town dwellers believe that the food situation is the root cause of the Polish crisis.

[Siz] I don't agree. Farm output has not tumbled even during the most difficult period; at worst, it remained stagnant in some cases. However, in agriculture stagnation is tantamount to regression.

[TYGODNIK SOLIDARNOSC] What then should be done to overcome this regression?

[Siz] Above all, a judicious, evolutionary farm policy should be pursued and practiced. This means broad access to low-interest loans for any Polish farmer who wants them and an immediate expansion of the supplies of producer goods. (Only some 5 percent of present-day Polish industry works for the needs of agriculture, compared with 15 percent working for the military and armaments. These proportions and ratios should be reversed. Then too there is the question of water and gas supply systems, roads—in a word, of infrastructure.

I have already mentioned the Sudeten Piedmont where that infrastructure is nil and thousands of hectares of land are lying fallow. Now the situation there is even worse than it was in 1981. This is demonstrated by the figures on income parity which as of 1 March amounted to 75 percent for rural dwellers compared with 100 percent for urban dwellers and are the most unfavorable ever to the countryside in the last 150 years. Because even in that memorable year 1981 the rural-urban income ratio was 100/105.

I repeat, we do not want an extra pair of rubber boots or the by now proverbial ball of string! What concerns us much more is the provision of tolerable civilizational amenities for the countryside, because otherwise it is simply unlikely that the next generation would want to emulate its fathers, stay on the farm, and toil from dawn to dusk, saving penny after penny, chiseling, and knocking to the authorities for every graciously allocated ton of coal or sack of artificial fertilizer, bowing to the ground in gratitude—for the allocation of a tractor or some farm implement.

[TYGODNIK SOLIDARNOSC] But surely you must be aware that the supplies of producer goods to agriculture are not going to improve overnight. The infrastructure, too, is not going to be rebuilt within a year or two. Moreover, some people will oppose augmenting to 15 from 5 percent the proportion of industry working for agriculture. How do you intend to overcome this resistance and win?

[Siz] By forming a farm lobby, with pressure groups wherever possible: in the Sejm, in the Senate, in the government, in the voivodships and rural townships, to exert pressure in the right direction. For the time being, during the Roundtable, we established that Solidarity has the right to negotiate minimum guaranteed prices of farm products, as well as to negotiate with producers the prices of producer goods. (Of course, if it is to make

that few young people attend them. What questions are being asked at these meetings? All kinds. There are no taboo questions. The questioners are concerned with both world politics and the price per ton of Polish coal paid by the West. They are interested in the abortion decree as well as in the identity of the future president of the Nation. It is a fact that details matter to peasants, and hence questions about farming problems, credit, old-age pensions, and the burning issue of the water shortage predominate.

[TYGODNIK SOLIDARNOSC] But do you find some of these questions difficult to answer?

[Sisz] Probably just one: how to fight inflation? So I answer as well as I can by discussing the restructuring of industry, the cuts in outlays on armaments, looking for help in the West, the need to slash administrative employment, and God knows what else.

[TYGODNIK SOLIDARNOSC] The elections are over now. But what about the post-election period? What will you and Rural Solidarity give priority to?

[Sisz] To us, profitability of farming matters most. This is the basis (otherwise no problem shall be solved, because the situation is bad despite the recent 34-percent increase [in food prices]). Besides, there are many other urgent problems. We want to draw attention to rural health problems, the situation of rural teachers and schools, the need to finally do something about local self-government, etc.

[TYGODNIK SOLIDARNOSC] You are so very busy, but do you have some small personal dreams of your own?

[Sisz] Probably just one: I wish I could be home as much as possible. I have a 16-hectare farm near Rzeszow and raise 100 hogs. During the present unanimous election period the entire burden of farm chores is being borne by my wife and daughter. It is good at least that my son-in-law is helping out, even if he had to take an unpaid leave for this purpose. My average weekly schedule is more or less as follows: Saturdays and Sundays I attend electoral rallies; I spend 2 other days in Warsaw on official business, and 2 days I travel through various voivodships. (In just one day weekly, when I can, I travel home. And once I am home in my village, Laka, I always inspect the hogs to make sure they gain in weight, and I also inspect the sowings.

[TYGODNIK SOLIDARNOSC] And are they gaining weight?

[Sisz] Why not? Things prosper under the master's eye, as the saying goes.

[TYGODNIK SOLIDARNOSC] Thank you for the interview.

demands, exert pressure, and defend the interests of the farm lobby will be linked to it and operate in connection with it.

[TYGODNIK SOLIDARNOSC] But how can Rural Solidarity defend simultaneously the interests of small, poor, and backward landholders with 1- and 2-hectare farms and those of rich and efficient landholders with 50- and 100-hectare farms?

[Sisz] I think that a solution will be found. Rural Solidarity associates all farmers without exception, and regardless of the size of the farms they own. The small farmers will have to be helped to convert to more labor-consuming, or perhaps even pro-export, production, which yields a worthy profit. This can mean the growing of flowers, vegetables, or seeds. It is in their regions, too, that we shall, with the participation of foreign capital, build small vegetable, fruit, and starch processing plants. We are already talking with Western partners on this subject. As for large farms, these shall specialize in crop production and cooperate with the farms specializing in livestock raising. This is how, more or less, we envisage it.

[TYGODNIK SOLIDARNOSC] You are acting jointly with Workers' Solidarity, but your interests are divergent. Workers want the cheapest possible food, while farmers dream of getting the highest prices for their crops.

[Sisz] Our interests may be divergent, but our goals are common. We both grew out of the same Solidarity root and are branches of the same Solidarity tree. And we believe that the worker should earn enough to afford not only that proverbial ham roll. But let me take this occasion to give short shrift to the myth of cheap food. Unfortunately, food prices will keep rising, and this has to be realized.

[TYGODNIK SOLIDARNOSC] Will Rural Solidarity alone cope with the huge amount of work to be accomplished in the countryside?

[Sisz] I think that an authentic, independent rural trade union will no longer suffice for the more active peasants. The pressure to create a political representation will grow. But this process takes time and requires the right climate, a gradual maturing of political thought, and a cadre of activists. At any rate, this is not the most important issue at present.

[TYGODNIK SOLIDARNOSC] At present, for now, it is the elections that matter most, do not they?

[Sisz] Many of our Solidarity farmers are candidates for Sejm deputies and Senators. They are enlightened, responsible individuals who know what the Polish countryside expects of them. I often attend pre-election meetings and see the huge interest of the countryside in the elections. Some such meetings have been attended by 2,000 or even 3,000 peasants. It is somewhat saddening

investigation by the procurature in Dusseldorf is being conducted, and three proceedings are under way in Hamburg, 30 in West Berlin, and 50 in Schleswig-Holstein. It also is known that Czechs living in Bavaria and Russians in West Berlin have been availing themselves of the services of forgers. According to HAM-BURGER ABENDBLATT, the losses due to forgeries by Poles alone amount to one billion DM paid to "German resettlers," and in Hamburg alone 1,500 of these resettlers are living, with 10,000 more awaiting a decision on their applications.

This affair is compromising chiefly the German authorities themselves, since they claim that "ethnic Germans" are being forced to leave their native lands. The number of the resettled is to provide an argument proving that many Germans are, 45 years after the war, still living in "Ostdeutschland," that is, in Polish western territories. According to FRG data, the number of persons leaving Poland as "ethnic Germans" exceeded 140,000 in 1988. Who are these people in reality? The Germans themselves call them contemptuously "Volkswagen Germans." The press is publishing extensive articles about them, revealing that these "ethnic Germans" have in reality nothing in common with German nationality.

Portrait of an "Ethnic German"

Last December the Hamburg weekly DIE ZEIT published as many as two articles. The first was titled, "God Be With You, We Are Leaving." This is a reportage from Upper Silesia, from a locality inhabited by 200 people. According to the FRG Constitution, they are native Germans, who have been living there for generations, with the grandmother's birth certificate sufficing for the entire family. No member of the young generation speaks German. One of them has decided to emigrate as an "ethnic German." His grandfather had defended in 1921 St. Anna's Mountain against an assault by the German "Oberland" Corps, and later he was an active member of the Association of Poles in Germany, in 1939 he was so bestially beaten by the SS that he died. In the family's apartment in the FRG hangs a photograph of the grandfather wearing the uniform of a Polish insurgent and of the father wearing the uniform of a Polish soldier, and the Polish uniform of the "ethnic German" is stored in the wardrobe. The article states that every emigre bids farewell with the words "Be with God," a location which Germans never use.

The second article is titled "In an Alien Country Which Shall Never Be a Fatherland." The author provides examples. Katarzyna M. of Grudziadz received her papers owing to the German origin of her grandfather, whose son, her father, had been executed by the Wehrmacht because he had belonged to the Polish intelligentsia in Pomerania. Wojciech, now Adalbert W., attends church on Sundays to listen to Polish-language prayers and chants along with the priest; the words of the prayer and weeps when signing "O God, Who Poland...." Janusz R. has the papers of a resettler and views the

Legitimacy of 'Ethnic German' Poles Questioned
26000621 Warsaw ZOLNIERZ WOLNOSCI in Polish
7 Aug 89 p 4
[Article by Edmund Orkiszewski: "Ethnic Germans in Poland"]

[Text] Article 116 of the FRG Constitution defines very liberally citizenship in that republic and the persons entitled to it. This also concerns the so-called ethnic Germans. These ethnic Germans in Poland were invented after World War II and, to justify a fabricated history, the conclusion was couched in the form of legal provisions.

The idea of locating "ethnic Germans" in Poland has a significant propaganda-related purpose. It justifies publicizing the problem of Germans in Poland and demonstrating that western Polish territories are inhabited by Germans. Unfortunately, the Poles themselves, or more exactly representatives of our authorities, provided the Germans with arguments. The postwar policy of income-potent officials and activists resulted in that the formerly so-called autochthons departed en masse from the Warmia, Mazury, Gdansk, Opole, and Silesian regions. They left behind all their belongings, their life's work, their native grounds, and went into exile in Germany. They included activist members of the Association of Poles in Germany who had distinguished themselves in the struggle for Polishness in the northern and western territories, and they also included families whose members had died in the concentration camps and prisons of the Third Reich. People's Poland did not act like a mother to them, but rather like a....

In recent years there has been a new wave of departures for the FRG by people claiming German origin and thereby receiving special rights and German citizenship.

How To Become a German?

One way of proving that, e.g., one has a German grandmother is to falsify family documents. In the FRG operate rings of crooks, sometimes consisting of Poles, which forge documents for a suitable fee of about 10,000 DM. The mechanism of the deceit is simple. The forgers obtain in Poland and the FRG original old German documents and form blanks as well as current rubber-stamps and questionnaires. Next, suitable personal data are added. The fee, reaching as much as 15,000 DM, is always worthwhile, because the buyer of the forged documents receives citizenship and all the allowances to which Germans are entitled, such as unemployment benefits, living allowance, all kinds of pensions and annuities, compensation for property left in Poland, study scholarships, and free German-language courses.

In 1986 Rhine- and Westphalia police came across traces of forgers. A list of 1,000 Polish citizens, customers of the ring, currently living in Hamburg, was found. As of the present, five gangs operating in various regions of the FRG have been identified. This is only the beginning. An

of Silesian Landmen in Hanover demonstrated that both members of the government and activists of the resettler organizations are in accord about their anti-Polish views, believing that among other things, there are 1.9 million "ethnic Germans" in Poland. Thus the figure is growing each year in the fantasies of various Hupkas, Waigels, and Zimmermanns. Of a certainty, in a year or two, I shall be reading that only "ethnic Germans" are living in Poland. And justly so, because I myself, for example, was born in Bydgoszcz and therefore, according to the German constitution, I am an "ethnic German."

Thus a German problem is being created east of the Odra and the Nysa and peace in Europe is being deliberately disturbed.

Bishop Describes Pastoral Duties in Eastern Borderland

26000666 Krakow TYGODNIK POWSZECHNY
in Polish No 32, 6 Aug 89 p 2

[Interview with Bishop Marian Jaworski, Apostolic Administrator of the Archdiocese of Lubaczow, by Maciej Kozlowski: "The Church in the Borderlands": date and place of interview not given]

[Text] [TYGODNIK POWSZECHNY] Reverend Bishop, 5 years ago to the day, on St. Peter and Paul's Day, you assumed the office of the apostolic administrator of the smallest administrative unit of the Polish Catholic Church—the Lubaczow Archdiocese. This however, part of the great Lvov Archdiocese that had been truncated by the Yalta Agreements. What is pastoral work like in that special situation?

[Jaworski] The church endures and carries on its work regardless of political agreements and national boundaries. This fragment of the Lvov Archdiocese, which remained within Poland's boundaries after World War II, is inhabited by about 100,000 Catholics. For the most part, they are rural dwellers, and ordinary, quotidian pastoral work is being carried on among these faithful. Irrespective of that work, however, it is our duty to preserve and consolidate the spiritual heritage of the second church province [Lvov] in the history of the Polish Republic. Bearing this in mind, my predecessor, the Reverend Bishop Marian Rechowicz of blessed memory, initiated the publication of STUDIA LUBACZOWSKIE. This aim is also being pursued by the recently established publishing house named after the Blessed Jakub Strzemia, which publishes works devoted to great figures of the Lvov Church. Several months ago a biography of the last Lvov Metropolitan, Archbishop Eugeniusz Baziak, had been published, and at present the second edition of a biography of God's Servant Archbishop Jozef Bilczewski is being prepared.

situation, his own and that of others, as follows, "Germany's frontier is open to us. But once you are inside, they order you to sit in the anteroom. The doors to the room are tightly closed. So you are a second-class citizen."

The Mayor of Stuttgart Manfred Rommel wrote in DIE ZEIT of 17 February 1989, "I feel that tolerating dual nationality is a better and more appropriate solution of the whole of this problem." And KULTUR-POLITISCHE KORRESPONDENZ of December 1988 (the organ of the Association of Expellees) stated, "The resettlers know neither the language nor the history of Germany. This applies most to the Germans from East Germany (as the Polish western territories are referred to in the FRG—E.O.). Eighty percent of them do not speak German." In its next article on the subject, last February, this periodical reported, "Most of the Germans arriving here want a better life for themselves and their children. What lawless treatment is being accorded to these autochthons?"

Who Needs Them?

In EXPRESS of 29 February 1989 Bundestag Deputy Noebel stated "Chancellor Kohl and his party caused the present explosive situation, because for years they have been calling for resettlement to the FRG." And the Chairman of the Party of Free Democrats Count Lambsdorff declared, "The antecedents of the resettlers should be checked more closely to make sure that they really are Germans." An original idea, which of a certainty will be greatly welcomed by certain Poles, was conceived by a Christian Social Union member from Bavaria, Minister of Finance Theo Waigel. He advocated the formation of a fund for providing material and financial resources to assist "ethnic Germans" in the countries of their residence. At a meeting of the government last March the Chancellor declared that every measure must be taken to halt the wave of immigration from Poland, and Minister Schauble added that the aim of Bonn's policy is to assure such conditions in East Europe as to make "ethnic Germans" feel that they do not have to leave their homes.

Does this mean a total turnaround in the views of FRG authorities? Instead of appeals for resettlement to the Federal Republic of Germany, appeals to remain in Poland and "We, Germans in the FRG, will come to you with material aid."

Yes, the Germans find themselves in a blind alley of their own making. By creating the concept of "ethnic Germans," they prompted a wave of immigration, which has resulted in discontent among FRG citizens, housing and employment shortages, difficulties in communication with the newcomers. And the latter will always remain second-class citizens, mere "Volkswagen Germans," mere seekers after a better life.

But the Germans indeed never cease being revisionists and revanchists. The last convention of the Association

Soon now we are going to celebrate the reopening for public view of the restored painting of the Holy Virgin of Mercy in its renovated sanctuary, a painting in front of which King Jan Kazimierz had taken in 1656 the famous Oath of Lwow.

[TYGODNIK POWSZECHNY] The fifth anniversary of your assumption of the reins over the archdiocese coincided with the formal initiation of the beatification of a great figure of the Lwow Church, the Reverend Zygmunt Gorazdowski, called "the Father of the Poor."

[Jaworski] That was a great event to our archdiocese. The memory of the Rev Gorazdowski is still alive, even though he had died already more than 60 years ago. But what matters most is that his work endures. The Assembly of the Sisters of St. Joseph which he had founded now contains about 500 sisters who work sacrificially and with unusual devotion. On the area of our diocese the Sisters of St. Joseph work in a home for the handicapped in Ruda Rozaniecka. Their work, and also the work of the Albertine Sisters in the home for handicapped children in Lubaczow, is special proof of and testimony to true love of one's neighbor. Some of these sisters have a simply extraordinary charisma. Their self-sacrificing devotion to those under their care elicits universal admiration. It is probably precisely there, in those most neglected and ignored yet also most difficult domains of life of the society, that genuine Christianity is being achieved.

[TYGODNIK POWSZECHNY] Now that the Sejm has passed a package of church-related legislation, the possibilities for the work of the Catholic Church in this field, as well as in other domains of life of the society, are going to increase markedly.

[Jaworski] Undoubtedly, although a radical turnabout in this respect should not be expected. Nowadays nuns are among the hardest-working social groups in Poland. Even now they are so burdened with their duties that their coping with additional tasks is hardly conceivable. Fortunately, in Poland many people experience the calling [to church] and it can be hoped that the new conditions will facilitate such work, which [I fear], will be increasingly needed. The more so considering that nowadays young people more and more often ask not "What I shall do" but "What is in it for me?"

[TYGODNIK POWSZECHNY] Indeed, few perceive the magnitude of this work. On the other hand, accusations are being made that in a poor country like present-day Poland the Catholic Church is living too well off. I believe that these accusations must also have reached you. Reverend Bishop, the more so considering that your little diocese appears to teem with new [ecclesiastical] construction. Reverend Bishop, what can you say in response to critics who claim that at a time when there is a shortage of housing, schools, and hospitals, the church is building so many temples, parishes, and catechism rooms?

[TYGODNIK POWSZECHNY] Does pastoral work in the present-day eastern Polish borderlands differ markedly from the problems encountered in other regions of Poland?

[Jaworski] I don't think so. The principal problems we encounter, such as the vanishing work ethos, alcoholism, and perils to the unborn [abortion], are encountered throughout Poland. The forms of pastoral work also are similar, although of course there exist differences ensuring from the specificity of this region. Let me draw your attention to two forms, the first being the oases. We maintain two such centers in our archdiocese, one in Wierzchata and the other in Lubycz Krolewska. This year they will accommodate more than 500 young people. These centers play a great educational role, and it is only to be regretted that the existing possibilities lag greatly behind the needs. The other form of pastoral work among youth is the annual pilgrimages on foot to Jasna Gora. Years ago, when I was completing my studies in Kalwaria Zebrzydowska, I had thought that this form of piety belonged to the past. But things turned out differently. Now is already the fifth time the pilgrimage from Lubaczow has been made. Year after year, the pilgrimages are becoming more numerous and, despite the unusually rigorous rules, there is no dearth of volunteer pilgrims. To all participants they offer a great religious experience. This also applies to the attendance of religious retreats by laymen. Let me also mention the Club

last visit to the Embassy of the USSR did not result in a refusal. I was advised to wait. Hence, I am patiently waiting. I hope that someday this trip will take place. My duty as a bishop is to care for the faithful regardless of their place of residence and citizenship. I am deeply convinced that greater opportunities for mutual consultation across the frontier, which should link us rather than separate us. A situation resembling that in Berlin, where the local bishop, who resides in East Berlin, can provide pastoral services also in the western part of the city, is after all conceivable. But, as I say, I am patiently waiting and I feel hopeful, the more so considering that the past year, in particular, has brought many changes to the better.

[TYGODNIK POWSZECHNY] I appreciate very much interviewing you, Reverend Bishop, and on behalf of TYGODNIK POWSZECHNY I wish you further fruitful service in the contemporary borderlands of the Republic.

Renaming Urged for Krakow's Dzierzynski Street

26000668 Krakow TYGODNIK POWSZECHNY

in Polish No 32, 6 Aug 89 p 8

[Article by Grzegorz Przebinda: "Did Dzierzynski Deserve a Street in Krakow?"]

[Text] TYGODNIK POWSZECHNY, No 20, of 14 May 1989, published my short note, "(Concerning Dzierzynski Street)." It was published after a delay of 2 weeks, because at the time the censors were of the opinion that referring to Dzierzynski's deeds [passage deleted from original text and replaced with notation: Decree of 31 July 1981 on the Censorship of Publications and Entertainment (Article 2, Point 3, DZ U, No 20, Item 99; with subsequent revisions)] violated "the constitutional principles of the foreign policy of the Polish People's Republic and its alliances (Decision No 028/7/89 of the Krakow Censorship Office). I protested that decision and my note was finally published. Since then much has happened and it truly is time now for a street named after the creator of the "Red Terror," the Polish apostate Feliks Dzierzynski to disappear from Krakow.

Here let me recall a passage from the letter by Feliks Kon to Zofia Dzerzhinskaya shortly before the Battle of the Vistula: "In about 2 hours we are departing Bialystok in the direction of Warsaw. Feliks is so busy that he cannot spare a moment to write you. I don't want you to worry... and let me tell you that he and we all feel just great, as is fitting for the Revolutionary Government of Poland. In a day or two, perhaps, we shall already be in Warsaw, where, it is rumored, the workers demand that the city be surrendered to us without a fight. Posters threatening Pilsudski that, unless he suspends combat near Warsaw, we shall not let his troops leave Warsaw, have been put up throughout the city." At the time, three men,

of Catholic intelligentsia that has been operating in Lubaczow for the last 3 years; although small, it is very active and represents a model example of sagacious participation by laymen in the apostolic mission of the church.

Speaking of formative work among lay people, let me draw your attention to one other matter. Earlier in our interview I mentioned our diocesan publishing house. Well, it has published two volumes of "Modlitewnik dla swieckich" [Prayer Book for Lay People]. It turned out that this publication was greatly needed. The 20,000 copies of the first volume were all snatched up, and at present we are completing sales of the second volume. The publication of this "breviary for laymen" has resulted in my receiving dozens of letters constituting an unusual, because spontaneous, poll that says a great deal about contemporary Poland. Side by side with the great social problems we have discussed, there exists a bedrock of profound and mature faith. I cherish the hope of being able to process and publish passages from these letters, constituting, as I said, a remarkable testimony to the present-day religiosity of Poles.

[TYGODNIK POWSZECHNY] It was a tradition of the Lvov Roman Catholic Church to work in a community that included many other faiths and rites, to mention only the Greek Catholic Church, the Armenian rite, the Mosaic religion, and the Russian Orthodox Church. Does this tradition persist on the surviving remnant of the former Lvov Archdiocese?

[Jaworski] Unfortunately, only to a very small degree. In our region there have been no Russian Orthodox faithful, the Jews were exterminated, and most Greek Catholic believers emigrated eastward, with the few remaining ones traveling to Hrebenny every Sunday to attend mass in the Greek Catholic rite, said by a priest commuting there from Przemysl. In other localities there live only single Greek Catholic families, which are besides closely integrated with the Roman Catholic population.

[TYGODNIK POWSZECHNY] The Lubaczow Archdiocese has a special status. Recently, as part of the changes occurring in the Soviet Union, the church situation in the former Vilno Archdiocese, now bisected by the frontier, has been normalized. Can a similar unfolding of events be expected here, in southeastern Poland?

[Jaworski] The situation in Lithuania could be normalized, because the authorities agreed to the appointment of a bishop in Vilno. As to when this possibility will arise in Lvov, that is hard to say. Besides, this is not up to us, and I would not want to speak for the Apostolic See. At present, and especially for the past year, more frequent contacts with the faithful on the other side of the frontier have become possible. Roman Catholic priests from Soviet Ukraine travel to Poland, and our priests increasingly often travel eastward. This is very good. I myself have not yet had the opportunity to make such a trip. My

Mayor Zybkiewicz. After all, all this is fiction, and do you really believe that your renowned predecessors do not deserve having streets once again named after them? In Moscow old names are already being restored. In Vilno—attention!—according to (ZERWONY SZTAN-DAR, on 5 July Feliks Dzierzynski Street was given back its old name of Kalwaryjska Street! Even though it was there that Dzerzhinsky was born, but the Vilnians do not want him. It is simply that they have more dash than some people in Krakow. Lenin Street in Vilno has been given back its old name of Ciedyminska Street. Przemysl too is to be congratulated: there, within a short period of time, July Manifesto Street again became Marshal Pilsudski Quay!

I propose that the street on which I reside be named Mayor J. Leo Street. Yes, precisely. Mayor Street. Because many people no longer know who was Leo. (Other old street names also should be restored. Marchlewski Street should be given back its old name of Wl. Belina-Praszmowski Street, and F. Kon Street. Bishop Bandurski (the chaplain of the Polish Legions) Street.

I appeal to the Citizens' Committee for the Salvation of Krakow (Street Naming Section), which also has the matter close to its heart. In Krakow there should be no streets named after the three turncoats!

P.S. Perhaps this is the way? A Paris friend of mine sent me a letter addressed "Juliusz Leo (formerly Dzierzynski) Street." The letter reached me!

Idea of 'Regaining' Respect for Party Challenged

26100670 Krakow TYGONIK POWSZECHNY
in Polish No 33, 13 Aug 89 p 7

[Article by Tadeusz Szymal, "The Regainers"]

[Text] Is it possible to regain what one never possessed? Or to lose something that one does not have? I would not be asking such nonsensical questions were it not for the fact that importunate comments suggesting that such an absurdity can exist are continually being voiced on the radio and television. They have been repeated, tediously and insistently, for many years already, and they grow in intensity whenever yet another party "plennum" is held. This too is the situation at present. The party must regain the trust of the society, the respect and support of the entire nation. "We have forfeited authenticity of action and ceased to be attractive to the young—this must definitely be changed." These and similar lamentations, combined with pious wishes for a magic change in the situation, have, it appears, ceased to puzzle anyone by now. "Newspeak," the official language of that state within a state represented by the monopoly in the system of real socialism, displays a particularly dangerous property to which generally sufficient attention is not paid. If repeated often enough, a stupidity, an absurdity, a lie, or an half-truth, ultimately becomes hackneyed and banal, acquires the guise of obviousness.

Marchlewski, Dzerzhinsky, and Kon (along with E. Prochnik and J. Unschlicht) issued a manifesto of the Provisional Revolutionary Committee. The manifesto pointed out that the Red Army was entering Poland with the old Polish insurrectionary slogan, "For your freedom and ours." It counseled grabbing factories from the hands of capitalists, expelling the landed gentry, and forming rural soviets. (Once the bloody government, which has engaged the country in a criminal war, is overthrown throughout Poland, a soviet of deputies of the laboring people of town and country will form the Polish Socialist Soviet Republic. Each of these three men has a street named after him in Krakow.

But I am asking what is so special about Dzerzhinsky in Krakow that a major and central street in the city was named after him at the expense of the name of the founder of Greater Krakow, Mayor Juliusz Leo? There is a book by T. Wronski, "Krakowskie lata dzialalnosci rewolucyjnej F. Dzierzynskiego [The Krakow Years of the Revolutionary Activities of F. Dzerzhinsky]. But there also is another book, this one entitled "Juliusz Leo Tworca Wielkiego Krakowa" [Juliusz Leo, The Founder of Greater Krakow], by Celina Bak-Koczerska. Suffice it to read and compare both these books. Then it will become clear after whom the street in Krakow should be named.

Dzerzhinsky himself wrote in 1903, "(One often feels like departing from this entire Krakow with its historical landmarks, taverns, and big and little rumors." Perhaps he himself would not want to have a street named after him

Many people responded to my note in TYGONIK (POWSZECHNY, with the exception of one respondent, from Warsaw, they all supported the idea of restoring the historic name of that street. Some respondents took special trouble to support this project. They collected several score signatures and expressed their desire to help. I have all this correspondence on hand and can avail myself of it at the right time. Responses were received from people dwelling on that street, including even one from... Zimbawe, where the letter-writer is temporarily residing.

I was contacted by the mayor's granddaughter Anna Leo-Pietraszczyńska, who had in January 1989 written a letter to the Krakow municipal authorities requesting assistance in restoring to Mayor Leo the gratitude and memory due him," and restoring the name of Juliusz Leo to the current Feliks Dzierzynski Street. The reply by Mayor Jan Nowak was negative. First, he stated that the People's Council of the City of Krakow conferred on "a boulevard running along the left bank of the Wislula from Debnicki Bridge along the foot of Wawel Castle, to Grunwald Bridge, the name Juliusz Leo Boulevard." In addition, the mayor drew attention to the cost of the renaming.

Mr Mayor, it is time to awaken and stop arguing that, e.g., some boulevard on the Wislula has been named after

has been based on opportunists, conformists, and careerists. Even if these number two million, this is not sufficient proof that the party has gained "the trust of the society." Now they, too, feel uneasy and find it increasingly difficult to obtain various perks. Therefore, the myth of the loss and recovery of something that has never existed in particularly "timely and in accord with the party line."

As I remember from my elementary-school lessons, former Poland used to be ruled by obnoxious exploiters, and the situation supposedly changed radically after 1945. As the verse ran, "Now you do not toil in the sweat of your brow/ for the rich and exploiters./ People's Poland waits and sees,/ and the hammer and sickle wait, too." On listening at present to the numerous pious comments by representatives of the "vanguard of historical progress," one might think that present-day Poland is ruled by a party of regainers. The only question is how long will this continue, considering that, properly speaking, achieving the goal of regaining something that has never existed, presupposes the necessity of "creation ex nihilo." In materialist Marxist dialectics any miracle is possible—at any rate in terms of reality—conjuring is possible—Thus there remains just one, sole miracle to happen, that of "regaining" what the people never gave you.

and sticks like glue to the minds of not only the apparition users of NewSpeak but also accidental listeners. This also applies to this case. For has one even once heard representatives of the "constructive" or even "unconstructive" opposition mouth the phrase about the party's loss of something which it has never had and which has never—over the last 45 years—been its attribute? Especially, about the loss of its sacramental "trust"? For truth to say, it did not enjoy that trust among the broad society even after October 1956 [workers' bread riots in Poznan, the national communist Gomulka assumes rule], or after December 1970 [massacre of workers in Gdansk]. It did not enjoy that trust either when Kisiel jestingly parodied Krasinski in this periodical: "Jeden tylko cud/ z polska partia/ polski lud" [There is only one miracle: the Polish people is one with the Polish party]. Nor did it enjoy it when, "worn out" by the importunings of Gierk and Jaroszewicz, shipyard workers shouted, "We shall help!" The shortlasing surges of illusions and vain hopes, of conditional support for "people's power" have always been laced with mistrust and skepticism, and they have never been professed by the majority (at least 51 percent) of the Polish society. To be sure, for a time the party did have its pimpled acolytes, and later its membership also included quite a few "faithful, mediocre, and passive" people as well as incorrigible reformers or revisionists, but in the main it

POLAND

Role of Party, Reforms in Military Viewed

26000665 Warsaw ZOLNIEZ W OJNOSC (in Polish)

13 Jul 89 p 3

[Article by Brigade General Dr Jan Cielicki: "The Foundation of Our Visage and Combat Efficiency" under the rubric "The Party in the Army"]

[Text] The social and political changes taking place in Poland confront us with many questions which are being revealed by the intraparty discussion that is also taking place within the military. These questions require theoretical reflection and methodological ordering.

To me as a party member wearing a military uniform the principal question is, what is the party's role within the armed forces, in view of the ongoing changes?

During the 10th Plenum of the Central Committee Secretary Army General Wojciech Jaruzelski stressed that the party is and shall remain the principal political force in socialist Poland. "We shall not abandon the principles of our system of society for the sake of some deceptive 'tripperies' menacing it. We shall not agree to the trashing of the authentic accomplishments of People's Poland. But we shall just as decisively eliminate whatever is obsolete, continue the reforms, and assimilate into our ideology and practice whatever is consonant with the spirit and realities of the times, whatever indeed ensues from the vital interests and needs of the working class, of laboring people. At the same time we declare most resolutely that there is no return to irrevocably closed chapters of history. We shall weed out all relics of Stalinism, (condemnation of crimes, a worthy continuation of their victims, and the overcoming of whatever conflicts with the humanist and democratic aspect of our idea—such are the incessant political and moral behests for us." This summarizes our ideas of socialism, the party, the reforms, and the renewal, and it is in this context that we should evaluate views, postulates, and opinions.

It would be an oversimplification to make one-sided and final judgments without a thorough analysis and reflection, but still if we accept social practice as the criterion of truth, the traditional approach to translating the new social formation into reality has not produced the expected economic, social, and political effects. This does not mean, however, that it has not at all met the social expectations and aspirations, has not afforded opportunities for a better life and civilizational advancement to individuals and groups, and has not unlocked possibilities for translating into reality the idea of social justice. Posing the matter thus would be a definite oversimplification, uncorroborated by actual facts.

Socialism, by reducing the mechanisms of historical self-regulation and seizing the reins of the global historical process, had, in the initial stage of its development, paved

In the initial period of socialism-building this system played a certain positive role, because it facilitated rapid industrialization in backward countries, solved fundamental social problems, and accelerated development processes. It was thus necessary transitionally, but later the rank of a model and an ideological doctrine was ascribed to it, and this impeded attempts at reforms. Nowadays socialism has to make up for the arrears at an accelerated pace, and in an unfavorable socioeconomic situation at that.

The party is the guarantee and reflector of the restoration of proper splendor to socialism, and it is the party which must head and guide the reforms and renewal.

This also is what the party has been doing ever since the Ninth Congress. But it is meeting many objective and subjective obstacles, as well as burdens of the past, on this path. The resistance of the "matter" is too hard, and the legacy of bureaucratic socialism still persists too much in the subconscious of many party members and in their style of action. This is creating substantial psychological barriers on the road of reform and renewal.

A definite role in the historic process of socialist renewal is also played by the armed forces, which are an integral element of the nation, of the socialist state. They do so on two planes, as it were:

—as an ideological-political factor. They take an active part in implementing the pro-renewal and pro-reform party program line. They support it with their intellectual, party-minded, and educational potential, directed both outward, in the sense of its influence on the society, and especially on youth, and inward, by constantly strengthening ideological-moral values, combat readiness, and inflexibility of action under diverse circumstances, as well as by strengthening the system of management and of the use of modern equipment, and educating youth in patriotic-civic and pro-socialist spirit.

—as a factor that stabilizes and protects the process of radical transformations and assures and guarantees a peaceful course of the reforms and socialist renewal, and also as a force overseeing adherence to laws, together with agencies for the administration of justice and public order, and creating the conditions for domestic and foreign security of the state.

It is a task for the military to take an active part in the changes occurring on the road to an open socialism, and changes bring from their enemies

In 1956 an agreement was concluded between the Polish and Soviet governments on the legal status of the Soviet troops temporarily stationed in Poland. This does not mean that there had been no Russians in Legnica previously.

For several decades the topic of Soviet units in Poland had been a taboo one. Everyone knew that they were here and more or less where. The purpose could only be guessed. Otherwise silence reigned around this subject. For some time now, and more exactly since the student demonstrations in Krakow and the slogan, "Soviets go home!" shouted in front of the Soviet consulate, the interest of so-called public opinion in this subject has been growing. Following several aviation disasters caused by Soviet pilots, discussion in the Sejm also became ardent.

The decisions to return several Soviet units east of the frontier are being interpreted more as grandstand acts than as a genuine and tangible reduction in the numbers of the powerful force concealed behind the name "The Northern Group of Soviet Troops." But everyone understands that these gestures are only a beginning, a signal, as it were, of something that will happen in a perhaps not so distant future.

Consider Legnica. Where else but here, on the streets crowded with people wearing Soviet uniforms and a continual procession of Soviet trucks, in the noise generated by Soviet jet planes crashing the sound barrier, that reasons for public outbreaks have been existing for years. Yet, precisely in Legnica, not a single incident directed against the Russians has been recorded. Even in the tumultuous years of 1980 and 1981 when instances of desecration of Soviet graves took place here and there in Poland, no such instances occurred in Legnica with its large Soviet cemetery.

Civilian life here goes on in exceptionally close proximity to military life. It can even be said that the fate of this city has been influenced by the disposition of discrete military units, and its daily rhythm is determined by paramilitary rules. This entails many problems.

A reporter for the local weekly KONKRETY, Agnieszka Szczepanska, recalls that for many years the Soviet issue was veiled in the fog of secrecy and silence. The two communities lived alongside one another without recognizing one another as it were. At the time, that reporter worked on the city desk. The population was upset because old buildings were rapidly crumbling. About 900 buildings required immediate repair, but the specialized communal repair enterprise repaired only about three annually.

"When I raised this issue at the City Hall," the reporter said, "the proper departmental head advised me verbally that the repair enterprise is focusing its efforts on a particular part of the city. He said that nothing could be done about this, because it was an imposed decision."

Therefore, the military must be above the pluralist ideas of national accord and the overriding concept of the common good of the nation. This was expressed in the address delivered by Commander in Chief of the Armed Forces Army Gen Wojciech Jaruzelski at the gala ceremony honoring the 45th anniversary of the people's Polish Army, when he stated, "The duty of the military is to protect whatever serves the Fatherland and repel whatever imperils it." That precisely is why the nation "gave weapons to the military, and the party gave it political thought. We shall wield these weapons efficiently, this being the principal duty of the soldier. This will be the guiding idea of our service, and this is our fundamental civic best."

The Polish Army, being the armed branch of the socialist state, has an explicit ideological-political visage deriving from the ideology and political line of the party. At the same time, our army, as a reflector of the vital interests of the nation, personifies the values, traditions, and social aspirations underlying the civic education of military personnel.

Hence the conclusion that the party shall continue to be the wellspring of the ideological-moral visage of the armed forces, the political determinant of their change and development, and the principal factor in military education. The pillar of the moral values of the army, of the civic and patriotic attitudes of servicemen, is the professional cadre along with the party and social organizations, especially the basic party organizations, which are part of the military fabric, as well as a definite indoctrination system assuring the incultation of the desired moral-political attitude, combat readiness, and discipline.

Leading among the educational objectives is the need to shape pro-socialist civic attitudes and the ensuing feeling of patriotic-defense duty, along with the need to humanize military life in specific conditions of service. Hence, the military can be neither apolitical nor weakened by political divisions.

Soviet Military in Legnica Living 'in Shadow'

2600067 Warsaw PRZEGŁAD TYGODNIOWY

in Polish No 31, 30 Jul 89 p 7

[Article by Piotr Pytlakowski: "A Temporary Stay: Red Army Street is Inhabited Mostly by Poles and Polish Army Street by Russians"]

[Text] What is the population of Legnica? It is said to be 100,000, but enough water and electricity there is consumed for 200,000. This joke is popular in that city, but as for the actual number of Soviet military personnel, civilian employees, and their families resident there, it is unknown. (Official sources are silent. Unofficial estimates are uncertain and vary broadly. Observations of the streets of that city, the capital of the voivodship, indicate that many Russians live there.)

If the city is divided, it is only informally as it were. There are no administratively isolated Soviet boroughs. But there exist entire buildings, entire streets, inhabited by Soviet officers and civilian employees of the Soviet army.

Close to the city center of Legnica intersect two streets: Red Army Street and Polish Army Street. Red Army Street is inhabited mainly by Poles and Polish Army officers stationed outside USSR territory. He spent 3 years in the GDR and 2 in Poland. His [monthly] earnings are as follows: his pay as a lieutenant is 130 rubles, plus 165 rubles for his work, along with 72,000 zlotys. As a reporter he also receives honorariums averaging 120 rubles. Once a year he travels home to Lvov on a vacation.

"Why are we here?" asks Sergey Gurin. "To protect us and you. To protect socialism."

These principled words are, however, severe-sounding, even to Gurin himself. Quickly he added, "Thanks to Gorbachev's policy, I no longer perceive a threat to our system of society. Honestly speaking, perhaps there are too many of our soldiers here."

When asked how many, he answers that he does not know, because this question is of no interest to him. At any rate, units of the Soviet Army try to cause as little burden as possible to the city. Thus while officers and civilian employees here are leading a fairly free life, walking the streets and going to the movies and restaurants, ordinary conscripts are bound by severe rules and spend their leisure time in their unit compounds. In the course of their 2-year period of service they receive a 10-day leave and then they travel home. However, according to Sergey Gurin, there are no rules against visits to enlisted personnel by their families from the USSR, just as there are no rules against such visits to commissioned personnel.

It is precisely officer families that account for a quantitatively substantial group. The children of the officers attend two 10-year Soviet schools. In the evenings they amuse themselves in discotheques together with their Polish peers or attend theatre. They make friendships which sometimes ripen into deeper feelings, and then problems of another kind arise. The young people, who intend to wed, face the dilemma of which country to live in. Should they remain in Poland or settle in the USSR? Contrary to appearances, this choice is not simple, as evidenced by the case of a Soviet officer who had to return home ahead of time owing to a romance between his daughter and a Pole.

It is generally thought that in a prosperous country nationality questions are secondary, whereas in a poor country the converse is true. In Legnica, where during the first part of the 1980's the situation was fairly good and food supplies were fairly adequate, now the situation is like everywhere else in Poland: empty hooks in meat stores as well as queues. For, so to speak, empirical purposes, this reporter stood in a queue in front of a liquor store and witnessed how a Russian woman was, to

"They [the Russians] are polite people," she says. If asked, they help out, do shopping, even more willingly than Poles."

Living next to foreigners prompts certain reflections. She feels puzzled by the reserved attitude of the Soviets, as they are called here, toward the local inhabitants. They are never the first to start a conversation. They live in the heart of the city, so to speak, but they remain in the shadow. That is a rare skill.

"They drink more nicely than Poles," says the elderly Poplaska. "So silently and calmly. Afterward, if one of them gets too drunk, they lead him by the arms, furtively so that nobody would see them."

She recalls in particular a moment when a crate with smoked herring was unloaded from a Soviet truck. The Russians approached and each picked up his allotment. Mrs. Marcia had a great yen for these herring, but somehow she lacked the courage to ask for them. If one considers this more deeply, the Russians would surely not refuse if asked.

Thirty-two-year-old Igor, a Soviet civilian employee of the Northern Group of Soviet Troops, also resident on Polish Army Street, says that his awareness has been enriched by unusually close proximity to Poles. For example, before his arrival in Poland, he had no idea of what happened in 1939, or more precisely on 17 September [Soviet invasion of Poland]. At the school from which he was graduated these questions were treated differently.

"It sometimes happens," Igor said, "that youthful hooligans shout 'Occupy' at our people. But the older, more experienced Poles speak differently. They say that if we leave the Germans might arrive. They prefer us as a lesser evil."

Igor has friends here. He visits them at home and they visit him. He admits openly that he came here for personal gain. He is paid 180 rubles and 60,000 zlotys monthly. After 3 years, when his contract ends, he expects to have laid aside 3,600 rubles.

organized by the House of Officers are Poles. In principle, anyone can be admitted.

"We have a custom," said Major Cherepanov, "of not going to shows after having imbibed. With you the custom is different. It is exactly with people like these that we have problems, especially during discotheque events. Fortunately, your militia is efficient."

(The example of Russian assistance to the local community is the construction of a swimming pool for the inhabitants of Legnica. Within a short period of time Russian servicemen, using their own equipment, transformed a vacant field into a recreational area.

During my conversation in the office of Major Cherepanov one officer asked, "Is it true that President Bush has promised to pay Poland's debt provided that all Soviet units leave your country?"

His voice rang with anxiety. He had arrived here only a few days ago.

Adam Syc, the representative of the Legnica Voivode for foreign relations, and hence also the liaison between the city's civilian authorities and the Northern Group of Soviet Troops, mentioned the effects of the agreements concluded with the Soviet command in recent years: 47 facilities received from the Northern Group and transferred for the most part to the health service, 10-hectare proving grounds in Milkowice Rural Township transferred for farm use; occasional Soviet assistance, chiefly in the form of equipment and personnel, in certain investment projects, e.g., during the construction of the recreational facility.

"We have been cooperating for years in health protection. In our health centers we treat Russians injured in street accidents, while Soviet specialists, especially high-class eye microsurgeons, provide consultation and treatment for severely injured Polish patients," said Adam Syc.

The representative is of the opinion that the spirit of proximity of Soviet military units. A consensus has been reached on the passage of Soviet military columns through housing settlements. Now they travel mostly at night, in order not to obstruct traffic. Mutual consultation resulted in the agreement that Soviet jet planes may overfly cities at a minimum altitude of 2,000 meters.

For the last few years public opinion has been alarmed by accidents sustained or caused by Soviet aircraft. Right now the causes of the collision between a Su-24 jet aircraft and a Polish P-11C glider are being investigated. The incident took place on 5 July at 1315 hours, probably at an altitude of 680-800 meters. The dossier of this case, kept by the voivodship procurature in Legnica, contains the following preliminary assessment: "As a result of the collision, the pilot of the Soviet aircraft was responsible for violating the provisions of the aviation law."

put it politely, asked to leave the queue. The comments then voiced were rather unequivocal.

The denizens of the city may be unaware, owing to some information gap, that Soviet citizens resident in Legnica are supplied from their own sources. They receive several kinds of food-ration cards. Thus, an officer pays 20 rubles and receives in return 6.5 kilograms of meat, 30 eggs, 0.8 liter of sour cream, sugar, groats, potatoes, etc. A nonworking wife of an officer is allotted 5 kilograms of meat. A Soviet civilian employee receives in return for 20 rubles 3.5 kilograms of meat plus other items received by the officers. In addition, Soviet citizens may buy in Soviet canisters 2.5 kilograms of meat and 2 kilograms of sausage with food coupons. These items are collected in stores and canteens located on the area of military units. Official reports indicate that food for the Northern Group of Soviet Troops is brought in from USSR territory, and hence it does not detract from the modest supplies available to the city's inhabitants.

But while the newcomers suffer no hunger, their problems with alcohol resemble ours. It is said that the consumption of aviation alcohol in Legnica has grown since the introduction of limited prohibition in the USSR. And when their problems are imposed on our problems, incidents happen.

On the whole, the denizens of Legnica are liberal, but persons with extremist views also are encountered. It is precisely they who blame the shortages of alcoholic drinks on the newcomers from the East. On the other hand, however, private traders greatly prize commerce with the East. In Legnica sunglasses, denim clothing, and all kinds of fripperies no longer fashionable elsewhere in this country sell like hot cakes.

The bazaar located nearly in the center of the city resounds daily with the sounds of many languages. Polish and Russian languages predominate. It is alleged that private trade in gold is centered precisely there. There also barter transactions are concluded, with Soviet television sets and Rewex [dollar-store] videos being particularly in demand.

Recently, when Soviet authorities revised the regulations governing work abroad and allowed USSR citizens to bring passenger cars to their homeland, car prices soared on private car markets in Lubin and Wrocław. Old Soviet-made cars are in particular demand.

The above facts demonstrate how trade brings nations together. They also demonstrate that in poverty everyone is equal and that Slavs can reach a plane of understanding regardless of whether they come from the East or are closer to the West.

The existence of the Culture Section at the House of Soviet Officers is proof that the city is not just a giver so far as Soviet Army units are concerned but also a taker, benefiting from their closeness. The Director of that Section, Major Nikolay Cherepanov, estimates that about 60 percent of the participants in the activities

Voivodship Prosecutor Bogdan Salata has a large file documenting cases against Soviet citizens perpetrating crimes. Following preliminary processing by the civilian procurature, these dossiers mostly are transferred, in accordance with the procedure, to organs of the military procurature. And thence, insofar as they concern crimes committed by Soviet military personnel, they reach Soviet procuratures and courts.

About a dozen years ago there was a notorious assault by two Soviet servicemen against Germans driving a car. One of the attacked Germans was brutally murdered. Both perpetrators were arrested and sentenced to death by the Soviet judiciary.

Last December and in March of this year persons wearing Soviet uniforms halted and robbed two passenger cars with foreign license plates. Prosecutor Emil Urbanski, who conducted preliminary investigation of the robbery sites, reported in mid-July that the investigation under way by the military promises to uncover the identities of the actual assailants. A Soviet uniform can be bought for 100,000 zlotys in any bazaar.

Prosecutor Urbanski, who had until recently handled aspects of foreign legal turnover, as this is put in prosecutorial terminology, drew attention to the large number of road accidents caused by young and inexperienced drivers of Soviet military vehicles. In the first half of this year they caused more than 50 accidents and collisions in Legnica Voivodship.

Years ago, Prosecutor Urbanski prepared, to gratify his own curiosity, a statistical list of the damages caused by the Soviet road pirates. At the time he had figured the total at 10 million zlotys annually.

"It is interesting," Emil Urbanski added, "that the losses due to burglaries of dwellings occupied by Soviet citizens are estimated to total the same amount."

The Soviets and the Poles are living next to each other and observing each other. As time goes on, they perceive changes in the level of their lives, and in their mentality and customs. It used to be, as Plenipotentiary Syc also recalls, that the buildings inhabited by the Russians became rundown at a much more rapid rate than other buildings. Nowadays these proportions are reversed so to speak. Nowadays newspapers instead of curtains cover the windows of only some of the dwellings occupied by Soviet officers. But busts of Lenin remain as before the principal decoration of Soviet institutions and at gates to Soviet compounds.

The city center of Legnica has preserved its prewar architectural style. The first postwar inhabitants of Legnica remember how, when they had arrived here to settle for good, they were welcomed by Soviet soldiers on the streets. After so many years the Poles and Russians here have become used to each other.

BULGARIA

Management Team Raises Efficiency, Profits at Mozambique Factory

3400070x Harare SOUTHERN AFRICAN
ECONOMIST in English Jun/Jul 89 pp 41, 43

[Article by Antonio Gumenber: "The Business-Boosting Bulgarians"]

[Text] Maputo—When a team of Bulgarians took over the management of the Investro clothing factory on the outskirts of the Mozambican capital in August 1987, many sceptical voices were heard. That was the time when Mozambique was going through the initial phase of the government's Economic Recovery Programme (PRE in the Portuguese acronym), marking the decisive step in what was labelled as the country's turn to the West, at least in the economic sphere. So why were those Bulgarians, who were resisting the soviet perestroika and glasnost at home, coming into Mozambique at this stage?

The Investro takeover resulted from an agreement between the two governments in October 1986 to form a joint enterprise in clothing manufacture which would produce not only for local consumption but for export. Thus what was previously Investro became the Zora factory, named after its Bulgarian counterpart.

Under the agreement the Bulgarians would be responsible for just about every aspect of management, including technical assistance, provisions of machinery, professional training, organisation of production and social services for the workforce. When Mr Mario Machungo, Mozambique's prime minister, visited the factory last year he told the Bulgarians that he expected them to build "a socialist factory with Japanese efficiency".

What sort of factory did the Bulgarians find when they arrived? Mr Dimitri Souliianov, the Bulgarian director of the factory, describes the situation inherited by his team as "a total mess".

"Honestly speaking," he says, "the management of the factory was a real disaster. There was no planning in any of the sectors, 30 per cent of the equipment was wrongly described as being out of order, the workers' skills were very low, the warehouses were full of unsold products, the workers had no motivation and were sleeping on the machines..." Mr Souliianov takes a deep breath and adds that these are just a few examples of what was wrong. Worst of all, the factory had a crippling debt. According to conservative estimates, it amounted to what was then the equivalent of US\$1.8 million, accumulated over six years of inefficiency. "This is not a caricature," says the Bulgarian director. "These are real facts and even our Mozambican friends agree with us." He added that in practice the factory had been functioning like a small tailor's workshop, relying on small orders from individual customers.

The team that Mr Souliianov brought with him to Maputo had a lot of experience in the textile industry. Their only fear when they arrived was that the workers might not be willing to cooperate. They were determined to change everything, from management methods to production cycles, so they knew their task would not be easy.

"When you change a working system that has been in force for many years you have to bear in mind that you are making a revolution," he says. Pointing to his hair which is starting to turn grey he adds: "In Bulgaria I didn't get this in twenty years of hard work."

Mr Souliianov has a secret to explain the success that made it possible in just one year to achieve a staggering profit of the equivalent of around US\$2 million—a figure which he expects will go on growing, both in terms of local currency and foreign exchange. The factory is receiving orders not just from Bulgaria but from countries as far afield as Finland, Australia, Canada and a number of European countries that want to buy a total of 102,000 pieces of clothing. Such customers are attracted by a combination of modern fashion design and manufacture.

So what is the secret? Is it just good management, better organisation, job discipline and the investment of some US\$60,000 dollars in equipment? No, says Mr Souliianov. He thinks the key to his success lies above all in the introduction of a system that links each worker's salary to the practical result of his or her work, taking quality as well as quantity into account.

The system, which had been virtually unknown in Mozambique, consists of determining the average time spent by each worker to produce a certain quality and quantity and using that as a yardstick. All the pieces that match the time and quality standard thus set are registered on a worker's card and provide an incentive to the minimum salary fixed by the government for industrial workers.

Thus, the worker has the guarantee of a fixed salary even if he or she can't reach the standards laid down by the management. But there is no limit on salaries and everyone gets what he produces. Mr Souliianov makes the straightforward point that the workers know that if they work more they make more money. He disclosed that the record wage so far earned by any worker in the factory in one month was 88,000 meticals (about US\$140), whereas the fixed national salary for an industrial worker is about 18,000 meticals (US\$25). If there is an interruption in the work which is not the workers' fault, they are compensated.

Mr Souliianov says that whereas the workers were unwilling to do much to begin with, the new system has boosted their morale and they now get worried when there is nothing to do because they know they will only get their basic wage. The system resulted in an average increase in earnings of 20 per cent over the past two

years—a very rare event in Mozambique since the introduction of P.R.E. As a result of their success the Bulgarians have been asked to help other Mozambican factories implement the same system.

Mr Soultanov sees the main management problems in the Mozambican clothing industry as the lack of adequate planning and productive organization, a shortage of highly qualified personnel, weak stock systems and poor maintenance of machinery, not to mention low motivation of workers who work for a low fixed wage. He says that his system can be introduced in any factory where production is in the form of identifiable piece goods, and claims that his team has set things up in such a way that the system will continue after they leave.

So if you have problems running your clothing company, think twice before you close it down: you could always make a call to Bulgaria.

CZECHOSLOVAKIA

Lagging R&D Blamed for Economy's Stagnation

24000163b Prague LIBOVA DEMOKRACIE in Czech
27 Jun 1989, p 6

[Unattributed article: "New Approaches, New Conditions"]

[Text] The 14th CPCZ CC Plenary Session on R&D, metallurgy, engineering, and electrical engineering, held in June, conducted a comprehensive analysis of the status and effectiveness of our R&D base, and drew general conclusions from this analysis. These conclusions outlined the next steps to be taken under the new conditions of a restructured economic mechanism, the formulation of a long term R&D strategy, and preparations for the 5-year plan. In the Report on Implementation of CPCZ CC Resolutions Regarding Scientific and Technical Development, delivered by Pavel Hrivnak, it was stated that we lag behind the world in scientific and technical development because of a relatively high level of unnecessary employment, the material consumption by our national economy, low labor productivity, poor economic performance by both enterprises and the state, and a reduction in the quality of increases in national income.

It was also emphasized that one of the main reasons this situation has come about is our significant technical backwardness. This in turn has resulted from our under-standing of R&D as being isolated from all other aspects of socioeconomic and ecological development. In other words, we narrowed our conception of R&D to cover only research and development, and failed to see it in terms of general capital replacement, encompassing all aspects of the capital replacement process and social development. At the same time the effectiveness of the work of the entire R&D base has been low. Likewise, as P. Hrivnak noted, a number of often very progressive

in world R&D progress. This realization caused the 14th CPCZ CC Plenary Session to mandate a fundamental change in our conception of the role of R&D to include the concept of broad-based capital replacement. One of the fundamental conclusions was that it is necessary to involve R&D, with all of its capital replacement elements, in the flow of the radical restructuring of the economic mechanism. This means primarily improving our utilization of international R&D and economic cooperation. This will require, however, a significant opening of our economy, and integrating it more deeply and effectively in world R&D progress.

The 14th Plenary Session also mandated completely new ways to formulate state plan tasks involving R&D work. In practice this will mean a substantial reduction in the scope of specific state tasks to allow each task to focus on large, critical innovation changes (technical and production-related), the results of which will reinforce the restructuring objectives of the center. Projects will be defined mainly in relation to selected problems in the state R&D plan. An important constraint is that no project will generally be initiated if the projected period from startup to implementation exceeds ten years. In addition, administrative requirements during the planning period must be radically reduced.

A flexible pricing policy is also important for successful R&D. Pricing must be able to react mainly to how our products are valued on sophisticated foreign markets, and to the possibility for replacing low quality or expensive domestically produced items with effective imports. The overriding objective here is gradually to shift to a system of value based prices which take into account socially necessary costs, as well as product use values and relative world prices. Otherwise the role of R&D would be significantly weakened and any interest that firms might have in producing new, progressive products would be threatened if not eliminated entirely.

We have been speaking for some time about the need for differentiation in compensation, because economic incentives play, and ought to play, a more effective role in the area of R&D. The 14th CPCZ CC Plenary Session again discussed the need significantly to differentiate the compensation not only of entire enterprise collectives, but also of individual employees, based on their achieved results. It was emphasized that it is essential to differentiate wages based on the sophistication of submitted

Therefore, in order to bridge a period of losses, the enterprise must either have a sufficient quantity of its own financial reserves or its prospects for future profitability of the measures undertaken must be realistic and convincing to the extent that it can find creditors willing to lend it the necessary funds to finance these measures. From the standpoint of the uninterrupted dynamic development of an enterprise, therefore, it is not possible to judge the efficiency or the lack of efficiency of management merely in terms of profitability or loss achieved over a certain period, but also in terms of its ability to pay which indirectly expresses both the results of management over previous years, and also the critical evaluation of the outlook for future profitability and the financial situation of the enterprise (in this sense, it preserves, for example, the substantive unity between one-time capital outlays and anticipated future revenues generated by these investments). Thus, liquidity, in contrast to profitability, extends the time horizon for judging the efficiency of management of an enterprise and also encompasses the sphere of the efficient or inefficient utilization of its profits.

However, the fact that liquidity encompasses a more or less uncertain estimate of future developments and because profitability cannot, for the same reasons, be automatically extrapolated to future years, the two phenomena of profit and lack of liquidity do not form an absolute guarantee that the enterprise will not, in the near future, end up financially bankrupt, much the same as the coupling of losses and the lack of liquidity need not always be irrevocable proof of inefficiency (for example, for the lack of creditor confidence in the success of innovations under preparation). However, in view of the necessity for specific criteria in the current economic life, profits and liquidity are used as criteria according to which enterprises are evaluated, credit rated, and financed.

To a certain extent, this will apply even in our new system of management, however, it would be a serious error not to take into account the fact that both indicators will, for a long time to come, still have completely differing economic contents than those ascribed to it in theory.

a) In our current nonparametric environment, where the prices of products particularly do not express their objectified convertible value in terms of comparable foreign criteria, profit, and thus, liquidity, are not proof of efficiency. Both magnitudes merely state the real flow of financial streams and frequently only provide information regarding the capability of an enterprise to enforce the price for the products it produces, a price which would cover—or better still, exceed—its individual producer costs and financial requirements.

b) Liquidity or a lack of liquidity of an enterprise is not an indication of its past financial management, nor is it a projection of prognoses of its future economic development, but rather a result of financial redistributions which are substantively connected to central planned

technical designs, especially for creative technical employees, collectives at the preproduction stages, and for employees involved in research, design, design engineering, and technical preparations for production. This is the only way to generate an interest in a progressive plan and in the highest possible levels of efficiency.

The result of all these efforts and the implementation of the entire complex of mechanisms should be a substantial increase in the pace and scope of innovation at the enterprise level. As Pavel Hrivnak noted in his report to the 14th CPCZ CC Plenary Session, enterprises should have the right to use their own resources to make it possible for them to focus clearly on speeding up modernization either of technical procedures, or of products. To accomplish this they must make full use of the development fund created at the enterprise level, which should be used mainly to implement modernization projects and to support product innovations. Currently, however, as a result of excessive inventory levels, development fund resources are being used mainly to finance inventories and for investment. This fund is not being used enough to support technical modernization, the purpose for which pre-tax resources are allocated to this fund. The development fund is designated specifically to reinforce enterprise technical modernization and as a result to improve profitability.

Liquidation Problems of Enterprises Discussed

24000159a Prague FINANCE A LTER in Czech
Nos 4, 5, 1989

[Article by Eng Jaroslav Strnad: "Problems of Inefficient and Money-Losing State Enterprises"]

[No 4 pp 250-255]

[Text]

Part 1

Manifestations of Inefficient Enterprise Management

In a successfully functioning economy, in which demand always finds a corresponding amount of supply, available at prices which are formulated in accordance with the principles currently in use in world commerce, that is involvement in the international division of labor, the first manifestation of inefficient enterprise management is a status in which the enterprise expenditures exceed the volume of revenues achieved to an extent which exceeds the total of its available financial resources. Losses in and of themselves need not always signal inefficiency—for example, if they occur as a result of restructuring an enterprise to a different production program or as the result of the introduction of a new product. However, the overall balance of losses and revenues must not, over a longer period of time, bring about the insolvency of the enterprise at any one moment.

that is to say, they cease being an exogenic systems input, and become an endogenic element functioning under the merciless pressure exerted by the criteria of efficiency. However, liquidation can fulfill these functions only under certain conditions:

In the socialist countries, where, within the framework of economic reforms, the liquidation of unprofitable enterprises and enterprises showing a lack of liquidity has become legalized, its practical realization has tended to collide, primarily, with the fact that these are small countries with inadequate economies resulting from low export outputs and, moreover, manifesting a high degree of organizational and production concentration in large enterprises. The first and easiest step was the dismantling of mammoth large-scale enterprises and the amalgamation of their internal organizational units, which were rendered economically independent. More difficult is the limitation of the overdimensioned production capacities to optimum volumes, but the largest and hitherto unmastered problem lies in increasing the technical-economic level of production which would facilitate the efficient inclusion of the enterprises into international exchange. Without this improvement in the technical-economic level, the overall as well as structural balance between demand and supply is unattainable and without it it is impossible to liquidate even inefficient production processes where they offer the sole possibility (although at low quality) for satisfying domestic requirements. Under our similar economic conditions, the possible liquidation of enterprises will encounter the same obstacles.

The flexible and dynamic structural development of the national economy requires not only an established mechanism for the demise of incapable enterprises, but also—and primarily—a well-functioning mechanism for establishing new enterprises which would penetrate into new production spheres with courage, would enter the market with new and technically progressive products, and would thus maintain the national economy as a whole on a level capable of actively participating in the international division of labor. Experiences recorded by developed non-socialist countries confirm that to maintain the national economy on a world level it is not enough to concentrate on the development of existing enterprises and large firms, but, rather, that one of the essential motors of technical development is also the establishment of new enterprises whose founders are very frequently technically erudite individuals and inventors.

The establishment and demise of enterprises are two inseparable aspects of efficient development, but in no European socialist country has it, thus far, been possible to also establish a successful mechanism for the establishment of new efficient enterprises which would result in improving the efficiency of the entire economy. In Czechoslovakia, the system of establishing new enterprises exclusively at the decision of the central organs remains preserved; however, the central organs do not

value intentions. Until recently, this concept of management required an enterprise to manage its affairs without the necessary financial reserves, which would contribute to the weakening of the "control by the koruna" principle, which signals any kind of deviation from the plan by a development of a shortage of financial means. Together with long years of financing the expenditures of the state budget through high levies imposed upon the enterprise sphere, this finally resulted in the permanent and extraordinarily high lack of liquidity in entire sectors of the economy. Under our current conditions, we, therefore, lack a cumulative objective yardstick for at least the relative efficiency of enterprise management.

Economic Importance of a System for Introduction of Liquidation of Enterprises

All systems of management used in Czechoslovakia since the 1950's were based on stimulating enterprises to fulfill the state and economic plan. Thus, the justifiability of their existence was already confirmed ahead of time by the central authorities. The material stimulation of these enterprises and their responsibilities operated within the narrow confines involved in granting them limited special payments and allocations for their enterprise assets. This strongly leveling way of generating material interest in fulfilling primarily the annual plans proved to be ineffective in stimulating long-term efficient development.

Under the new conditions which primarily involve the independent decisionmaking on the part of enterprises regarding their production activities and the prospects for further development, the scope of material interest and responsibility for enterprise economic activities and for results achieved is necessarily expanding, in both directions: both by expanding the free discretionary rights to decide on the creation of financial resources, as well as by expanding full responsibility for fulfilling all of the enterprise's financial obligations. In the final analysis, this means that with the arising of permanent insolvency, the justification for the further existence of the enterprise also disappears (as long as the state organs do not decide to preserve the enterprise's existence through the granting of subsidies).

The results of this sanction, which is unusual for us, exert a long-term effect upon the behavior of the entire enterprise sphere. The legalization of the possibility of financial bankruptcy places the principle of self-financing upon a credible base and is also one of the prerequisites for the factual enforcement of the criteria of efficiency (naturally, accompanied by the fulfillment of the basic prerequisites already mentioned) in the entrepreneurial decisionmaking of economic organizations.

The liquidation of production processes and enterprises on the basis of efficiency criteria simultaneously guarantees a flexible structural adaptation of production to existing demand, which changes the economic mechanism into a self-regulating dynamic system. In this system, structural changes cease to be the exclusive domain of decisionmaking on the part of central organs.

to assess the extent of blame on the part of individual producers for the losses involved in the final exported product. It is then possible to select among various alternatives with regard to eliminating inefficiency. For example, by replacing the domestic production of some raw materials, components, parts, etc., by importing or by transferring operations to another domestic producer without eliminating the production of the final product. In the case of objectified prices, the solving of these questions would shift from the category of reducing programs to the current procedure applied against inefficient enterprises.

Reducing programs would then be used to solve primarily only those cases of national economic inefficiency in which higher degrees of processing may be efficient in terms of objectified enterprise criteria, but the acquisition of consumed raw materials or the production of consumed energy, semifinished products, etc., is a money-losing proposition and cases where, therefore, it will be efficient from the national economic standpoint to limit or eliminate the production of some important consumers of these money-losing resources.

With respect to b), a typical example of the difference between comprehensive social costs and enterprise producer costs, that is to say, the difference between the national economic and enterprise efficiency is the rapidly growing problem of protecting and saving the environment, which is ever more pressingly coming to the forefront as the principal limiting factor, not only of further economic development, but of survival itself.

The contemporary problem involved in determining the necessary ecological costs lies primarily in the fact that, hitherto, the harmful effects of all utilized chemical substances, or the mechanism of their penetration into the soil, the water, the atmosphere, and the food chain have not even been recognized, nor has the increase in constantly new and hitherto harmless derivatives as a result of their rapid accumulation resulting from the development of industrialization (for example, carbon dioxide, heat, etc.). This is connected with the delay in the development of appropriate control and measuring methods and instruments and ecologically harmless technologies of production, which lags behind the pace of devastation of the environment. This, together with inertia in introducing already known cleansing and protective technologies results in an excess underestimation of today's producer costs and deepens the chasm between national economic and enterprise efficiency.

The border between these two spheres will be movable only over time in conjunction with the development of ecological technologies and their costs, but it will be different in different countries in connection with the share of those states in financing these technologies. Therefore, the inclusion of ecological costs in producer costs and prices of products cannot take into account the methods and practices applied in other countries and, primarily, in the countries of our principal trade partners. Without the careful following of methods for the

bear any cost accounting responsibility for their decisions. Therefore, it cannot even be surprising that far too many newly established enterprises fail to achieve the anticipated levels or even minimum levels of efficiency, nor the necessary technical-economic level for their products.

The liquidation of inefficient enterprises, even at the price of a possible growth in unemployment, in and of itself will not ensure an efficient production structure—not will it increase overall efficiency, as is frequently and erroneously anticipated—as long as an economic system which would assure the efficiency of newly established enterprises as well is not created at the same time.

Enterprise Inefficiency and Reduction Programs

The introduction of an independent category of reduction programs into the principles of the new economic mechanism indicates that the reasons for the decision on the part of the founder regarding an reduction program do not coincide with the origin of manifestations pertaining to enterprise inefficiency and that, therefore, even the selected procedures for realizing an reduction program will be different. (As long as the enterprise decides on reducing a portion of its production program within the framework of its entrepreneurial jurisdiction, this is not an reduction program within the sense of the law on state enterprises.) The reason for decreasing an reduction program will generally be found in the anticipated national interest presented at the level of the central organs with national economic inefficiency most frequently in its background.

The causes of the difference between national economic and enterprise efficiency are primarily two:

a) the previously mentioned nonobjective prices which lower or completely invalidate the testimonial capabilities of enterprise efficiency indicators;

b) complete and accurate calculation involving all social expenditures resulting from the production process and their extrapolation into the producer costs of individual products is either not carried out or is impossible to carry out.

With regard to a) above: if price formation is based on the principle of recovering individual producer costs—even after price restructuring this will impact on virtually all our monopoly producers—the possible inefficiency of suppliers will be "rolled over" in the form of higher prices to other processors. The cumulative inefficiency of all preceding production phases will show up financially only in the case of exports, where the wholesale price of a product is confronted with the price achieved abroad. In this type of price formation, the export loss cannot automatically become the criterion for reducing production processes or enterprises as long as a comparison of expenditures and wholesale prices pertaining to individually purchased raw materials and components is not undertaken with respect to foreign prices and as long as this nonsystems method is not used.

reimbursement of ecological costs abroad erroneous conclusions could arise in the course of objectivizing whole-sale prices with regard to the economic efficiency of our production processes and possibly regarding the liquidation of apparently inefficient processes or with regard to the development of seemingly efficient, but ecologically disastrous production processes. In the immediate future, but most likely also over the long run, the improvement in the ecological health of our production structure (particularly the demise of some energy-demanding processes) will be accomplished largely by the center for planned and financed reduction programs.

The listed example only illustrates a more general problem, which has thus far not been solved with finality in our country, and which is based on the conflict between two theoretical concepts of price formation: Whether to include in wholesale prices all social costs connected with the utilization and reproduction of individual production factors or whether to objectivize wholesale prices by comparing them with foreign prices, elevate them to become an instrument of rendering production more efficient to bring it up to comparable world levels with the result that methodological agreement will be maintained with respect to pricing of these factors within producer costs. Given the principles of restructuring the economic mechanism, both concepts have been enforced in a parallel manner. The former in critical areas; the latter in the requirement to systematically objectivize prices in accordance with foreign price developments. This unsolved conflict makes both the future evaluation of the true efficiency or inefficiency of management of enterprises more difficult, as well as affecting the limitation of the scope of reduction programs in favor of potentially more objective yardsticks for enterprise efficiency which are applied during liquidation.

Implementation of Reduction Programs

In essence, reduction programs can be realized by one of the following methods:

A. By replacement with another production process at the same production unit location:

- using the same production facilities without requiring additional investments;
- using reconstructed and partially exchanged production facilities;
- using other production facilities in the same buildings;

B. By lowering the volume of existing production without utilizing the liberated capacities to introduce other production processes:

- by liquidating the freed-up production facilities (by selling them or scrapping them);
- by lowering the degree of utilization of existing means of production (single-purpose or inseparable facilities);

- C. By eliminating intraenterprise production units (operating shops, plants, etc.):
 - through partial physical liquidation and the sale of usable capital assets;
 - through complete physical liquidation of local production units (demolition of buildings and scrapping of production equipment);
 - D. By disestablishing an enterprise (by selling off and liquidation of its basic assets).
- Each of the above variants must deal with economic, technical, organizational, and possibly even personnel problems which are specific to its nature.

In the case of variant A, this will involve primarily the maximum possible curtailment of the time required for internal technical and organizational restructuring, both with regard to production and also in all other service components or even some administrative components, will require the retraining or training of workers for the performance of new work or their exchange, will call for the timely support of new production by suppliers, etc.

The adoption of variant B will result in a difficult intraenterprise problem revolving around the timely attainment of lowered fixed costs so that the enterprise can avoid suffering a loss as early as the phase in which production volume is lowered. That is why, either currently with or ahead of cutting production, a cut in the administrative apparatus must be prepared and realized, as must the elimination of basic assets, lowering of supply inventories, limiting of capacities of secondary and auxiliary production processes, etc.

The complete elimination of intraenterprise production units according to variant C increases the requirements for time coordination pertaining to the termination of production and the disestablishment of individual units and possibly also requires coordination pertaining to the lowering of the administrative apparatus in the mother enterprise (the reduction of fixed costs); however, the majority of measures are identical with variant B.

The listed examples discussing the varying extent and depth of changes in production will have unique financial results connected with the actual process of reducing production processes, as well as long-term effects on costs, profitability, and possibly even indebtedness of enterprises after attainment of a changed volume and structure in their production. This means that the program for reducing a production process must seek not only the most efficient variant of the final goal status, but also select the optimum course of actual reduction so as to minimize any losses connected with it, both in the actual enterprise as well as with respect to its trade partners. The complexity of optimizing reduction programs will, therefore, require close cooperation between the enterprise in demise, the founders, other interested central organs (particularly the appropriate ministry of finance) and will require cooperation on the part of other

inefficient management is an expression of inexorable economic responsibility for the results of management. However, the imbalance between the decisionmaking jurisdiction and the responsibility of an enterprise weakens the effect of the previously listed instruments of sanction and, thus, even the entire economic mechanism. A truly efficient system of management can, therefore, not be satisfied with the mere determination of the reasons behind inefficient management, but must allocate these reasons to individual responsible subjects. Naturally, in a system based to a considerable extent on anonymous central decisionmaking and backgrounds involving permanent imbalances between supply and demand, this is frequently immensely difficult and, in practice, leads to the unjust shifting of responsibility exclusively to the executors of these foreign decisions, that is to say, to the employees of enterprises.

The Enterprise Director

In the past, the influence of the enterprise director upon the level of management was inexcusably undervalued. The level of his specialization, connected with the necessary moral characteristics and the capability to make correct decisions and to take correct actions involving people, permeates the entire enterprise organism and is manifested in the level of work performed by the enterprise collective and in the attainment of economic results. This is clearly confirmed by cases in which an incapable director was replaced by a director "personally" or vice versa. The director is capable of motivating the enterprise collective toward evincing an active interest in the work at the enterprise and toward a feeling of self-realization, just as readily as he is capable of knocking it down into indifference, lack of interest, and low working morale. Behind the realization of every daring enterprise director with a dominant interest in the development of the enterprise (let us recall the highly risky introduction of the production of spindleless finish weaving machines at the Elitex Enterprise at Usti nad Orlic) and the rare incidence of these innovations in our country only serves to confirm the truth of the introductory statement. Even the extent and seriousness of many so-called objective reasons frequently depends on the forethought and erudition of the enterprise director and his capability to forestall the development of unfavorable situations or to solve them successfully.

In consolidation programs and primarily during the establishment of direct administration, it will generally be the enterprise director who will be the first individual whose jurisdiction will be restricted or who will be relieved of his duties. But not even the enterprise director is omnipotent and is generally restricted in his activities by the actions of other individuals.

The Collective of Enterprise Employees

In terms of intraenterprise organizational structures, the responsibility of individual employees for the overall results of enterprise management differ, both insofar as

independent institutions and organizations (the Czechoslovak Academy of Sciences, the advanced schools, research institutes, specialized engineering advisory and design organizations, etc.).

The era of actual reduction will rest upon an overall balance of one-time financial requirements and liberated funds (the sale of basic assets, the lowering of inventories of supplies, the liberation of manpower, etc.) and on a proposal to deal with the overall difference. Obviously, the section of the Law on State Enterprises on possible payment of write-offs deals mainly or exclusively with this phase of production reduction when unneeded basic assets are to be eliminated (variants B, C, D). To the extent to which this does not deal with fully written-off basic assets, their remaining value is written off against costs when they are eliminated, lowers profits by that amount, and, thus, also lowers the levy on profits. The enterprise would have its development fund resources increased by this amount, but will no longer need these funds to renew these eliminated basic assets. Theoretically, it is possible to, thus, justify the levy on the enterprise amounting to these write-offs; in practice, however, the reorganization of production causes additional overcosts or savings. It is only on the basis of their overall balancing that it is possible to determine whether, after completion of the reduction phase, the enterprise ended up with a surplus or a shortage of financial means and, for that reason, it will be suitable to use this balance to deal with the state budget.

Those Responsible for the Development of an Inefficient Economic Enterprise

Part 2

[No 5 pp 319-328]

[Text]

Enforcement of a consolidation regime and the ordering of liquidation pertaining to an enterprise for reasons of

responsibility circuits are concerned, and also regarding the extent of responsibility. However, when economic difficulties occur, these differing responsibilities become cumulative with respect to a single sanctioning measure—the curtailment of overall wage entitlements, during which the responsibility of the enterprise collective as a homogeneous whole is judged externally. In the event the enterprise is liquidated, any possibility of intraenterprise differentiation with respect to the procedure falls away because all employees lose their jobs.

The overall effectiveness of the enterprise collective depends to a maximum extent upon the organization of work, upon work discipline, upon the method of evaluating working merits, etc., that is to say, on the overall level of management for which the primary person responsible is the enterprise director. The introduction of enterprise self-administration results in the enterprise collective taking over responsibility in part for the selection of the director. If an employee of the enterprise is not a candidate for this position, the extent of real responsibility on the part of the collective for the selection of a director who is unknown to it, declines considerably, even though no formal changes occur in this responsibility (this difference, however, has a political significance when a crisis situation develops).

The working collective takes on a greater share of demonstrable responsibility in approving, and particularly in disputing, proposals made by the director for the 5-year plan, for the division of usable profits, and in several other fundamental questions. On the basis of our experience and experiences of others, it is necessary, with respect to worker collectives and self-administration organs, to anticipate a strong preference for wages ahead of financing long-term enterprise development, which can culminate in losses of competitive capability and in the economic decline of the enterprise. Here, the personality of the director is important, as are the attitudes and negotiating positions of the employees, which is usually weaker in smaller localities offering limited possibilities of other employment than it is in major industrial agglomerations where the possibility of departure—particularly of skilled workers—can be an equally serious threat to the further successful existence of the enterprise. Examples of difficult harmonization or even identification of interests among workers with the interests of the enterprise are sufficiently well-known. The creation of enterprise pension funds or the sale of shares to enterprise employees remain unverified attempts thus far as to how to strengthen the interest of the workers in the long-term successful management of the enterprise, even at the cost of temporary sacrifices in their own earnings.

Prosecution of workers for poor results in enterprise management can lie somewhere between two extreme poles: it is either inappropriately small or nonexistent if the individual employee evades prosecution by leaving the enterprise or if the entire enterprise collective exerts

political pressure or such recourse becomes inappropriate harsh when the enterprise is liquidated without the employees being at fault.

The Founder

The founder assumes coreponsibility for the management of an enterprise primarily by proposing candidates for the office of director and can propose their recall. Frisera and M. Albrecht¹ attempted to formulate the necessary characteristics of an enterprise director in their typology of subjects existing in an economic system: (a) a person with an interest in social optimization (an altruist); (b) an independent individual who does not adapt internally to his social environment when opinion differences arise; (c) a person who is perceptive with regard to changes in a situation which he manages to master (a type of person who is situationally open).

The authors simultaneously find that the directive system of management does not favor an independent director and also gradually eliminates him.

In view of the introduced enterprise self-administration which will strengthen pressures for the growth of the salary level, the founders will, on the contrary, have to select particularly this type of independent altruist as a counterbalance to the previously mentioned wage preference which exists in a self-administration collective.

For the present, the question as to the method for making responsibility on the part of the founder more realistic for the selection of suitable candidates, for example, what sanctions to use to enforce personal responsibility on the part of the minister and how to rationally outline this function of the founder in relationship with the political organs, remains unsolved.

The Central Organs

We differentiate between the founder and the other central organs because proposing a director on the one side and the establishment of the rules of management on the other side are qualitatively completely different administrative actions insofar as their economic impact on the management of organizations is concerned. Cross-sectional central organs decree general rules of management for enterprises on the one hand and, on the other hand, use specific measures or instruments to enforce certain intentions of economic policy.

Through a system of generally valid standards and levies, the state does influence the management of the enterprise sphere in an undifferentiated manner as a whole in its relationship with the domestic economy; however, in an unintentional manner—some enterprises are receiving preferential treatment and others are disadvantaged. Through the differentiated application of additional instruments, the state generally pursues certain

revenue, or even of some of its customers (if the enterprise has a choice between various branches or banks); on the other hand, however, by being unjustifiably trusting as a result of distorted or unverified information, the bank can lose part or all of the loans granted to an enterprise. To a considerable extent, thus, the bank shares in the successes and risks of the enterprise to which it has loaned funds.

This mutual interdependence is currently, and will in future years be intensified by the existence of high loans for permanently alternating supplies which, given the current financial situation of the enterprise, are, for the most part nonreturnable; however, gradually it may be possible to convert these loans to long-term credits. These could become a stronger incentive for the active collaboration between the bank and the enterprise intended to improve the latter's financial situation than has been the case hitherto.

Simultaneously, the inadequate equipment of the enterprise with its own financial resources and the probable worsening of its revenue situation immediately following the introduction of new wholesale prices, plunges the enterprise into an untenably high degree of dependence upon bank loans. Toward the end of 1987, only 0.64 percent of enterprises in the whole set of economic organizations had reserves and risk funds based on their own resources (for orientation purposes: stock companies in the Federal Republic of Germany must maintain reserves set at a minimum of 10 percent of their basic capital). These circumstances will become a serious obstacle for the bank in applying the previously mentioned cost accounting (Khozraschet) principles in its loan activities. If, under these conditions, the viewpoint pertaining to the return of capital is to play a primary role in the granting or rejecting of loans, the extent of the lack of liquidity in the enterprise sphere can be maintained or even exacerbated. Consequently, the question remains open as to whether bank branches will be permitted to issue the first alarming signals by rejecting loans and precipitating the growing lack of liquidity among enterprises which are entering the new economic mechanism without the ability to affect self-financing, but which are an undying intermediate link in the chain of supplier-consumer relationships.

Suppliers

In a shortage economy, dependency on suppliers is one of the deciding limiting factors of successful management. Only part of the damage caused to a consumer can be compensated for by applying sanctions according to the Economic Code (untimeliness of deliveries and only some aspects of lack of quality), irrespective of the fact that the advantageous position of the supplier frequently does not permit the consumer to demand indemnification. During a period when the rapid adaptation to changes in demand and to conditions in technical markets is the basic prerequisite for the existence of producers who are competing in foreign markets, the conduct of our subsupplier, who is primarily oriented

goal-oriented economic policy: through specific tasks within the framework of the state plan (State Planning Commission), through tax breaks and subsidies (Ministry of Finance), through the central regulation of prices (Pricing Office), etc., the state differentiates with respect to the internal conditions of management and the revenue situation as it pertains to individual enterprises. The practical problem lies in the fact that as a result of these incursions—in view of the complexity of the intertwining of economic relationships—it is frequently not even approximately possible to quantify or clearly outline the extent of guilt (or merit) on the part of individual central organs in the attainment of economic results.

For example, under the principles of restructuring, the principle is enunciated that the organization has the right to demand compensation for property depreciation, where the stipulation of that task might threaten its long-term development. However, obtaining agreement regarding the magnitude of these economic losses will be extremely difficult and will more likely be the result of the power position of both sides because any kind of quantification of future missed opportunities and their economic effect is largely hypothetical and unproven.

One of the shady sides of central incursions into enterprise management is the absence of cost-accounting responsibility on the part of central organs for these decisions. The strategy of making a transition to the system of self-financing and enterprise self-administration does anticipate the express limitation of these incursions by the center into the enterprise management sphere, however, the current deep imbalance, particularly between supply and demand, will force the enterprises (and it will not be for the first time) to turn to their superior organizations for assistance in supporting their material-technical requirements. However, if the requirement for the intensification of economic development is to be fulfilled, then it cannot fail but to also be applicable to the central sphere; this means that, along with precisely outlining the jurisdiction of individual central organs, their responsibilities must also be precisely outlined, including the forms of realizing these responsibilities. Only thanks to the fact that in the centrally managed economy there is thus far no strict following of the criteria of efficiency does expansive overall economic development, which is extensive in the character of its investments, prevail and which constantly intensifies the overall economic imbalance. The impact of this imbalance upon the cost-accounting sphere, particularly with respect to supplier-consumer relations, is crushing, but anonymous.

Commercial Banks

In its relationships with the enterprise sphere, the management of a commercial bank depends primarily upon revenue from interest based on loans on the one hand and upon interest paid on deposits and losses from unpaid loans on the other hand. By being excessively

toward domestic producers, becomes one of the key factors in the export capability and, thus, even in the balance of our entire economy. This damage caused by suppliers is unquantifiable. In a shortage economy, thus, a situation full of disputes arises; despite the fact that the responsibility of the supplier for the economic results achieved by the consumer is undeniable, its consistent enforcement in the form of material participation in losses resulting from the liquidation of a consumer enterprise could cause even a bigger worsening of supplier-consumer relationships.

Consumers

An insolvent consumer can cause serious financial difficulties for his suppliers in the form of a secondary lack of liquidity. According to the Economic Code, a supplier may halt further deliveries at least until such times as the consumer pays off all outstanding debts. Given the current lack of finances in enterprises, the systematic enforcement of these rights could cause a halt in production in enterprises which are networked on a supplier basis. If the central planning organ intends to solve this threatening situation by placing state orders, it would have to, according to the new principles, compensate the supplier for property damage resulting from failure to make timely payments for deliveries or assure their timely payment by granting a state loan to the consumer to pay for the deliveries scheduled to be part of the state order. However, given the current scope of imbalance between supply and demand, this would solve only a fraction of the deliveries which have not been paid for on time.

The Consolidation Regime and Direct Administration

According to the Law on State Enterprises, the consolidation regime is the first step in rectifying the deteriorating financial situation of an enterprise where it is manifestly demonstrated as a result of threatening or unauthorized lowering of the net worth of the enterprise, by economic losses lasting more than 1 year, by the enterprise's inability to fulfill its levy and tax obligations, or its inability to create the mandatory enterprise funds. In view of the currently low capability of profit as well as the financial situation of the enterprise to act as indicators, the above-listed reasons fail to indicate the actual level of efficiency of enterprise management under today's conditions. The policy of rendering our economy more healthy will most likely require the expansion or temporary replacement of these indicators by other criteria for imposing consolidation programs which will evaluate primarily the technical-economic parameters of products produced, their utility, and their export capability until such times as these product characteristics can be successfully reflected in their wholesale prices. Currently, we are primarily faced with solving the following problems:

- This year, immediately following the comprehensive restructuring of prices, many enterprises are expected to show losses or negligible profitability not for reasons

of inefficiency, but because they failed to fulfill the prerequisites which were planned for inclusion in the new prices, etc. During the subsequent period of wholesale price rationalization, it will be necessary to accelerate the verification of "objectivity" pertaining to these prices in money-losing enterprises so as to prevent the possibly unnecessary imposition of consolidation regimes in many cases under conditions calling for strict adherence to the rules for imposing such regimes. Newly established enterprises and plants frequently became money-losers from the very beginning, either as a result of inappropriately high capital costs caused by lack of good management and low productivity on the part of the capital asset supplier, or as a result of unfavorable foreign exchange rate calculations pertaining to foreign deliveries, or as a result of the low degree of exploitation of basic assets in the hands of the investor resulting from a shortage of production workers, erroneous estimates pertaining to sales possibilities (not infrequently caused by the low quality of products involved), or as a result of the inadequate raw materials and materials support of the originally planned volume of production.

- Deep changes in the international economic situation and in recent times even in the production situation compel the complete disestablishment of some production programs and their possible replacement by others, provided these enterprises have the necessary prerequisites—particularly with respect to technical developments—to attain competitive levels. The necessity to have highly qualified consolidation programs worked out applies particularly to these enterprises.
- The absence of support through competitive electronics, but also through other components which can be obtained for the necessary technical and quality levels only through imports from developed non-socialist countries has become a serious problem for our industry in terms of its existence. Therefore, many consolidation programs will contain requirements to raise the basic degree of foreign exchange interest or for a permanent allocation of foreign exchange, which will be impossible to fulfill to its full extent.

The future fate of the enterprise will depend upon the correct diagnosis of the causes for the situation as it has developed and upon the fine-tuning of the optimum combination of effective remedial measures and it will, thus, most likely be necessary in many cases for specialized engineering organizations equipped with highly qualified technical, organizational, and economic specialists to participate in working out consolidation programs.

The complexity of these problems will frequently demand a search for the most suitable combination of an entire series of partial measures, particularly in the following areas of enterprise activity:

1. Cadre and personnel measures:

- replacement of key employees (directors, deputies, research employees, and developmental employees, etc.);

- changes in the number of employees (lowering or increasing);
- requalification of employees;
- creation of substitute employment opportunities for released workers;

2. Social measures:

- measures aimed at maintaining or acquiring the necessary number of employees of the appropriate professional structure: housing construction, improvement of the working environment, construction of social facilities, etc.;
- measures aimed at easing the unbearable cost and financial burden: sale of overdimensioned recreational, cultural, and other facilities, transferring some social facilities to national committees, etc.;

3. Organizational measures:

- internal measures: reorganization of the management apparatus, of the production process (changing the substantive organization to a technological one or vice versa, amalgamation or separation of operations and shops); changes in the jurisdiction of economic centers;
- external measures: transfer of the intraorganizational unit to another enterprise or accepting a transfer of such a unit from another enterprise; changes in the makeup of foreign trade relationships; inclusion or exclusion of the research work site, etc.;

4. Technical measures:

- product measures: improving quality, useful life, and other technical-economic parameters of a product; development and introduction of a new product; changes in a production program (including changes in coproduction relationships);
- technological measures: modernization of production facilities; provision of new measuring and control instruments; elimination of unutilized basic assets, etc.

5. Economic measures:

- adjustment of wholesale prices (raising product prices or lowering the prices of some purchased components);
- the granting of credits (consolidation credits, extraordinary credits, etc.);
- deferment of payments on the credits granted;
- conversion of short-term credits to medium-term or long-term credits;
- lowering the interest rate for some of the consolidation credits granted;
- the granting of a one-time subsidy (for example, for purposes of investment or technical development);
- the granting of repeated subsidies (for example, price subsidies);
- the lowering of some levies payable to the state budget or their temporary forgiveness;
- a one-time release of foreign exchange (for example,

Enterprise Liquidation

If an enterprise has not fulfilled its consolidation program and if direct administration has not been successful, a basic organizational change is resorted to (consolidation, amalgamation, separation) or the enterprise is eliminated by liquidation. The actual process of liquidating a state enterprise is laid out in the Economic Code in Section 27 a) through c).

Where obligations exceed monetary assets, they are taken care of in the following sequence:

While the authority of the director and of self-administration organs (with the exception of the accepted obligation to fulfill a consolidation program) is not diminished as a result of a consolidation regime, the establishment of direct administration transfers the management of the enterprise to the administrator. Since, according to the enterprise law, individual steps designed to improve the health of the enterprise are applied sequentially, it is possible for direct administration to become effective after the consolidation program has failed and it will, essentially, be aimed at eliminating the same shortcomings as those which gave the impetus for the imposition of the consolidation regime in the first place. Consequently, the procedures used by the direct administrator will be based on the consolidation program, even if it is not out of the question for the entire program designed to improve the health of the enterprise to be changed, that is to say, both the procedure and also the goals established by the original consolidation program. Thus, for example, by excluding the self-administration organs from participating in the decision-making process, opportunities for a more radical reduction in the number of employees and a reduction in earnings, the elimination of some production operations, more express reductions in the volume of production or possibly the complete elimination of the production of some products which have failed to achieve the required improvement with respect to their utility characteristics are opened up.

The above listing of economic measures is intended only to indicate the broad possibilities inherent in financial assistance or sanctions and the fact that some of them may not be resorted to by the bank or the appropriate central organs at all or only in very exceptional cases, cannot be excluded.

- for purposes of importing capital goods;
- raising the standard foreign-exchange allocation to facilitate purchases for production consumption;
- permission to accomplish the accelerated write-off of basic assets;
- temporarily halting the payment of rewards, bonuses, and shares based on economic results;
- lowering of tariff wages, lowering of output norms.

the additional acquisition of missing materials and components. However, the above-cited Section 361 virtually blocks this opportunity because it does not allow the supplier to demand the deposit of funds at a bank to compensate for his deliveries at enterprises which are in liquidation and it is not possible to expect him to be willing to make deliveries without guarantees for their full compensation.

It would be patently suitable to consider the following partial modification of the above-mentioned provisions of the Economic Code:

- as long as the delivery has been shipped from the warehouse prior to the proclamation of liquidation, the right to compensation for it from the funds which were deposited for this purpose by the consumer at the bank is not reduced;
- in the interest of a suitable evaluation of supplies on hand, the liquidator has the right to order materials and components to complete products and will assure payment for these deliveries, upon the request of the supplier, by depositing appropriate sums of money with the bank;
- for the same reasons, the consumer can have the bank retain previously deposited funds designated to pay for deliveries which have been shipped from the warehouse by the supplier after liquidation has been proclaimed;
- in the event of liquidation of an enterprise, it is necessary to satisfy claims by the state in the same sequence as other claims which are not secured by separate deposits of funds with the bank.

However, practice will show whether, in the current situation in which enterprises are demonstrating a high degree of insolvency, it is possible at all to enforce the provisions of the rights of the supplier to reserve consumer funds to pay for his deliveries without incurring the risk of halting production in insolvent enterprises.

If we consider, for orientation purposes, the average financial structure of economic organizations, it is not likely that, in the field of current assets, the selling of inventory would succeed in raising enough funds to provide compensation for all obligations (including credits) because only an average of 25 percent of the inventory is covered by working capital. The only hope for creditors rests, therefore, on an advantageous selling off of basic assets which are 90-percent covered on average by retained earnings of enterprises. However, it is necessary to consider that:

- residual value, particularly of production facilities, is overvalued by their long and stipulated useful life which, in many cases, is not commensurate to the pace and extent of technical progress;
- single-purpose production means are usually not saleable and their scrap value, once the sometimes high costs of dismantling are subtracted, represent the maximum attainable countervalue;

1. employee claims,
 2. state claims (levies, taxes, fees),
 3. other claims which are satisfied proportionately.
- It is worth mentioning that, in contrast to Czechoslovakia, the Hungarian law on sanctions does not grant the state priority payment of its claims before other claims and, therefore, the question of compensating the claims of suppliers and protecting their rights as creditors deserves special attention.

According to Section 14 of the Law on State Enterprises, for imposing a consolidation program, direct administration, or for its liquidation. Thus, a supplier cannot expect that the founder of a debtor enterprise will protect his interests by initiating the above-listed procedure involving measures designed to restore the health of the enterprise.²

On the other hand, the state, which is the founder, the creator of 5-year plans with all their binding tasks, standards, and indicators can exert a greater influence upon the financial management of enterprises than can individual suppliers even though, in some specific cases involving gross violation of supplier discipline, the situation could be reversed. However, this influence is not commensurate with this individual responsibility on the part of the supplier to warrant its generalization and application to the entire set of suppliers—something which is anticipated as a result of the mandated sequence for satisfying claims in the event of liquidation.

On the basis of Section 361 of the Economic Code, however, a supplier can require the consumer to deposit funds to cover future claims with the bank where the consumer has been late in paying previous invoices, where a consolidation regime has been imposed upon the consumer, or where direct administration has been imposed. If the consumer does not acquiesce to this requirement by the supplier, he is obligated to initiate a change or rescission of the economic obligation (Section 125, Paragraph 7) and compensate the supplier for actual damages and lost profits (Section 147, Paragraph 1). In other words, the supplier has the opportunity to assure himself of priority compensation of his claim, provided he uses the above method to assure its payment prior to the proclaimed liquidation of the consumer. However, the Economic Code is not explicit as to whether a priority right for compensation of supplier claims secured in the above manner remains preserved or is reduced in the event that liquidation is proclaimed prior to payment of the claim.

The proclamation of liquidation need not necessarily terminate all production activities at the enterprise. In the interest of minimizing losses it can frequently be economically effective to "liquidate" production supplies and unfinished production runs by letting production terminate gradually, that is to say, by completing these components into finished products. This requires

export capability of our production, which is the condition for lowering the autarkically closed nature of our economy, which causes permanent deterioration both in supplier-consumer relationships and also in the technical level in terms of the unmanageable breadth of the assortment of products produced.

At the same time, the conditions of the beginning stage will compel a differentiation in the severity of the impact of consolidation measures upon enterprise collectives to say, it will compel a differentiation particularly between the economic consequences of the previous directive system of management and the deep imbalance between supply and demand on the one hand and a highly variable level of enterprise management and worker morale on the other hand.

In a situation in which value criteria have a limited capability to act as indicators, confusion between consolidation programs and reduction programs can easily occur if authority in implementing structural changes between the enterprise sphere and the central sphere is not precisely delineated. In view of the rapidly and dangerously growing deterioration of the environment, in view of ecological damage which cannot be expressed in terms of value and, in many cases, also in view of the ignorance regarding effective ecological technologies, the primary goal of the reduction programs imposed and supported by the central authorities should be to overturn this unfavorable development by changing the production profile of the Czechoslovak economy with the primary objective of saving the health, the life, and the reproduction potential of our society.

Footnotes

1. "Problems of Subjects Involved in the Economic System," *POLITICKA EKONOMIE*, No. 2, 1988.

2. Recently, in a dispute involving the above-mentioned law, consolidation regimes were imposed upon 38 insolvent enterprises. The results of this measure will show whether, or possibly how, the consolidation programs can be successful given the inadequate finances of these enterprises and whether the procedure mandated by law is an oversight or a concession to the real economic situation).

HUNGARY

"100 Club" Industrial Enterprise List

25000389 Budapest *FIGYELŐ* in Hungarian
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[Article by Dr György Varga, FIGYELŐ editor in chief: "The 100 Club: The Machine Industry's Loss of Prominence"]

[Text] The ranking of the 100 largest producing industrial enterprises is presented in the context of various indexes. It was prepared in cooperation with the Central

- some imported machines from socialist countries have such a low quality and possibly also high price that they are either unsalable or only salable at great losses.
- On the other hand, favorable influences on the magnitude of attainable sales prices can be exerted by:
 - shortages of some universal machines;
 - the influence of the inflation growth of prices.

The language of Section 27c, Paragraph 2a, of the Economic Code, according to which the liquidator is obligated during the process of liquidation "to consolidate monetary funds in one account and in one financial institution" permits the judgment that it is possible at the same time, to simplify the monetary management of a liquidated enterprise. This also follows logically from the fact that an enterprise in liquidation essentially ceases its economic earning activity, that differentiation between basic assets and current assets loses its economic significance because, in satisfying creditor claims, no difference is made between suppliers of capital goods and other suppliers and because it is also completely irrelevant whether funds for their compensation were obtained through the sale of basic assets or supplies. It will, therefore, be possible to combine basic assets and investment funds, operating funds, developmental funds, reserve funds, and wage funds or possibly other funds into a single liquidation fund when liquidation is initiated (or into some fund bearing another name). This is not prevented even by the possible continuation of the limited running out of production. As far as funds for cultural and social needs are concerned, it will be necessary to consider retaining these funds until the liquidation process is completed, in view of the possibilities of specifically using these funds, for example, to provide subsidies for retraining released workers, to facilitate the transfer of a proportional amount of the funds to the cultural and social services fund of those enterprises who will employ the major portion of the employees of the liquidated enterprise, to facilitate the return of guaranteed allocations which were allocated to the enterprise in previous years by superior organs, etc.

Conclusion

In the beginning phases of the restructuring of the economic mechanism, the results of financial enterprise management will not be sufficiently reliable to be used as criteria for evaluating the extent of efficiency achieved and, therefore, these results cannot be the sole and frequently even the decisive impetus for imposing consolidation regimes or liquidation. In imposing consolidation programs, our policy of improving the health of our economy and our production structure will have to lean primarily on evaluating the quality and other technical-economic parameters of production until these product characteristics are reflected fully in their prices and, thus, in the more objective expressions of the results of the financial management of enterprises. Only in this way will it be possible to prosecute improvements in the

Statistical Office. In observing the composition of the 100 Club according to the prevailing organization of these enterprises in 1988, one finds that the data suggest accelerated changes: The value produced by the 100 largest enterprises amounted to 56 percent of the gross value of industrial production in 1986, to 54.4 percent in 1987, and to 53.8 percent in 1988. Within this group of large enterprises divestitures and reorganizations are substantially more frequent than in the segment not covered in this survey. Among the 100 industrial enterprises surveyed there are some whose names remained unchanged, but which nevertheless became much "slimmer," e.g., enterprises which chose to establish stock corporations, limited liability corporations, and subsidiaries. Thus, part of the production results and the resources will necessarily appear in the framework of the factories made independent.

The 1988 production value based ranking of the 100 Club (Table No 3) has 6 new members. In 1987 there were 7. These are the December 4 Wire Works (83), the Weapon and Gas Appliance Factory (86), the Buda-Flax Mill and Weaving Industry Enterprise (92), the Kecskemet Poultry Processing Enterprise (98), the Hajdu County Dairy Industry Enterprise (99), and United Chemical Works (100).

The Szekszard Meat Industry Enterprise (99 in 1987), the Southern Hungary Electric Works (86), the Northern Hungary Electric Works (77), the Hungarian Refrigeration Industry Enterprise (73), Medicor (50), and Ganz-MAVAG (31) have departed from the 100 Club. The three latter enterprises were excluded from the 100 Club as a result of organizational changes.

This is the first time since 1980 that a major rearrangement has taken place among the 10 largest industries leading the list. Without change, the list is still headed by the Duna Crude Oil Industry Enterprise, and Great Plains Crude Oil & Natural Gas retained its second place. Within the lead group, however, Tisza Chemical Combine advanced two slots, while both the Hungarian Railroad Car and Machine Works (Raba) and Ikarus dropped three places. By forging three ranks ahead, Szekesfehervar Light Metal Works became part of the top 10. Lenin Foundry Works which was No 10 in 1987 dropped out of the top 10. These changes reflect a changing marketplace and primarily changes in export opportunities.

As compared to 1987, the frequency of changes and rearrangements has increased in 1988 in ranking the top 100 industrial enterprises on the basis of production value, even though the changes were not as extreme as they were in 1987. A majority of the enterprises that advanced on the list were chemical industry enterprises. The largest advance—28 places—was made by the Almasfuzito Aluminum Oxide, Hungarian Viscose advanced 20 slots, while Budapest Meat Industry Enterprise gained 19. The Pest County Synthetics Industry Enterprise improved its position significantly (by 15

places), and so did Biogal, Masterfil Textile Printing and Power Plant, Csepel Metal Works, Budapest Textile Printing, Salgotarjan Foundry, and Budapest Chemical each gained 12 places. Kobanya Brewery gained 11 places, while Pannonplast Synthetics and Komarom Crude Oil advanced 10 places.

Aside from electric utilities, among those who lost rank the biggest loser is Cement and Lime Works dropping 39 places. Others include: Microelectronics Enterprise 15 places, Hungarian Optical Works 12, Orion, Lower Matra Coal Mines, Glass Industry Works, and Tisza Crude Oil Enterprise 9 each. (Organizational changes played a role in the loss of rank suffered by the Cement and Lime Works, as well as by the Glass Industry Works. The combined production value of the divested enterprises is the same as the total production value was in 1987.)

Considering all factors it seems that in 1988, based on production value ranking, the machine industry's loss of which ranking was based on resource intensity, and also play a significant role in exports. At the same time, when ranked on the basis of profitability proportionate to sales revenues the ranking of the lead cluster enterprises shows a broad spread: the majority, with the exception of Tisza Chemical Combine, Raba and Szekesfehervar Light Metal, all rank in the bottom two-thirds of the list.

The ranking of the 100 largest enterprises by number of employees did not undergo as large a change as did ranking by production value. On this basis the Durable Goods Combine advanced seven places, Egis Pharmaceutical, the Telephone Factory, the Pest County Synthetics Industry Enterprise and Biogal each advanced six places. Cement and Lime Works dropped 33 places. These changes are in part consistent with the changed ranking by production value of these enterprises.

More forceful changes took place among the 100 largest industrial enterprises in terms of gross fixed assets. This also applies to the extent and frequency of changes. For example, Crude Oil & Natural Gas Mining advanced 15 places, Hungarian Roller Bearing, Almasfuzito Aluminum Oxide, and Tisza Chemical each 14 places, Salgotarjan Foundry 13, Taurus, the Crude Oil Research and Lime Works as well as the Glass Industry Works dropped 12 places.

Ranked on the basis of exports, the following enterprises advanced on the list: Kobanya Brewery 15 places, Foundry Base Material 13, Csepel Metal 11, Hungarian

naturally, significantly deviates from the ranking based on production value. From among the first ten enterprises in the production value ranking, 6 ranked within the bottom third of the list in 1987. Some improvement can be seen in 1988, because out of the leading 10 enterprises only 4 could be found in the worst third of the listing based on profitability.

The most pronounced characteristic of changes in profitability ranking is the advancement of the chemical enterprises and the loss of position by machine industry enterprises. From among the 10 most profitable enterprises, 6 are part of the chemical branch (while in 1987 only 4 were). MMG Automatics has lost its first place achieved in 1986 and has dropped to 9th place. Szekesfehervar Light Metal also joined the leading 10 and ranks sixth, but Raba (11), BHG (21), the Telephone Factory (31), Machine Tool Industry Enterprise (83) and Vid-ecot (73) dropped out of the leading pack of 10. In addition to this spectacular loss of positions, the profitability of additional machine industry enterprises has deteriorated: Fine Mechanics dropped 18 places, Refrigeration Equipment lost 17 places, Orion 15, Hajdusag Industrial 29, Csepel Auto 24, Hungarian Optical Works 72, Ganz Danubius 27, Tungsram 30, Diosgyor Machine 26, and Orion 15 places in the profitability ranking. From among the machine industry enterprises Ikarus advanced 24 places, Microelectronics 21, Hungarian Cable 7, and Hungarian Roller Bearing 13. As to the loss of relative positions in the profitability ranking of machine industry enterprises, the effects of narrowing CEMA export opportunities, of specific capital cost increases stemming from reduced sales, and primarily investment sales opportunities in the domestic market within certain specialized branches of the machinery, and of background industry price increases could be felt. The same appears to be reflected in the relative improvement of the foundry enterprises, or at least in the fact that they retained their 1987 positions.

Changes also took place among the ten least profitable enterprises. While in 1987 a majority of the enterprises in this group were iron foundry and coal mining enterprises or energy providing utilities, in 1988 this group is much more varied.

Enterprise ranking based on enterprise results per 100 forints of wage income, 100 forints of committed assets, and 100 forints of committed resources understandably will be different from the sequence based on profitability in the ranking calculated on the latter basis. Among the top 25 enterprises ranked on the basis of profitability as a proportion of sales revenues, 15 enterprises were among the top 25 in 1987 on the basis of 100 forints of committed resources, while in 1988 18 enterprises remained among the top 25 on that basis. True, some enterprises settled in the middle field of the 100 Club (Decorative Textile or the BHG) based on the latter efficiency index.

I should note that of the 10 largest exporting enterprises 6 are among the top 10 enterprises based on production value. Several enterprises rank lower on the basis of production value than on the basis of exports.

There were quite a few changes within the 100 largest industrial enterprises if ranked on the basis of domestic sales, and the extent of changes also exceeded those of 1987. Thus, Csepel Metal advanced 16 places, Pannon-plast and Masterfil 14, Budalak 13, Biogal 12, and Hungarian Cable, Komarom Crude Oil, and Chinoil each gained 10 places. Cement and Lime Works dropped 19 places, Lower Matra Coal Mines lost 11 places, while Pet Nitrogen lost 10 places.

Data pertaining to the accumulated current value selling prices of the Hungarian Electric Works Trust, and of electric utilities are substantially greater than the sales value of "in-house products" which disregards the cost of goods sold. Related accumulations (although they could be filtered out at the branch level) resulted in larger than actual sales values achieved by the electric utilities in the present listing.

Tables 1 and 2 are characteristic of the enterprises' 1988 size concentration.

The process of growing concentration of production value prior to 1988 has stopped. True, the number of enterprises producing more than 10 billion forints remained the same as in 1987, the number of enterprises producing a value of between 5 and 10 billion forints declined by 2, while those producing a value of between 2 and 5 billion forints increased by 2. A more clear indication of changes in the size of enterprises is that the number of enterprises employing more than 1,000 persons dropped from 14 in 1987 to 9. Those employing fewer than 2,000 persons increased from 16 to 17.

Contrary to data showing production and number of employees, the degree of concentration increased on the basis of the value of fixed assets and sales volume. Thus, for example, the number of enterprises in the 100 Club with the largest value of fixed assets increased by 4. The number of enterprises exporting 10 billion forints, and between 5 and 10 billion forints has also increased. And sales volume larger than 10 billion forints increased by 6. The extent to which the apparently contradictory changes in various categories are generally characteristic of industry as a whole, and the explanation of the phenomenon require further analysis.

We developed the 1988 profitability ranking of the 100 enterprises on the basis of their balance in proportion to sales revenues. As Table 4 indicates, the sequence, quite

Of the 25 enterprises which rank lowest from the standpoint of profitability based on sales revenues, 22 enterprises (19 in 1987) were also in the bottom quarter on the basis of profitability proportionate to resources.

Following publication of the 100 Club in 1987, some lower ranking enterprises protested by saying that the loss of position occurred for reasons outside of their control, and that they had hardly any influence on scoring points with regard to their ranking. We recognize that the contingencies of the pricing system, the varying effects on enterprises of the price stop and price consultation system; exchange rate fluctuations; and variations in the market related structure of individual enterprises (e.g., advantageous or disadvantageous pricing conditions within the CEMA market, measures which stimulate or restrict CEMA exports, import opportunities which have different effects on various enterprises, or the different consequences of constrained substitutions, etc.) have caused smaller or greater distortions. We believe, however, that these external factors could more or less even out, even though in certain periods governmental action can affect certain groups of industry more than the "average enterprises" (e.g., in given instances the situation of certain machine industry enterprises strongly oriented toward CEMA).

According to the 1988 ranking, of the 10 most profitable enterprises only one, the Tisza Chemical Combine is also listed among the 10 largest exporting enterprises.

Of the 10 largest exporting enterprises the ranking of enterprises based on profitability proportionate to resources is as follows: Raba: 22; Ikarus: 25; Tungsram: 77; Duna Crude Oil: 38; Videoton: 78; Kobanya Pharmaceutical: 20; Duna Iron Works: 48; Taurus: 40; and the Ajka Aluminum Oxide & Aluminum Foundry: 9.

The fact is that some of the enterprises which advanced from the standpoint of exports, also improved their profitability. These include for example the Kobanya Brewery, the Foundry Basic Materials Preparation Enterprise, the Csepel Metal Works, the Hungarian Cable Works, the Ozd Foundry Works, and Biogal.

Despite all this, a multi-year trend was broken in 1988. Concerning the 100 Club of 1987 we wrote: "The relationship between exports and changes in the profitability ranking are rather remote. For example, of those enterprises which significantly improved their export positions there are only a few which advanced in terms of profitability ranking; the situation of a majority of the enterprises remained unchanged, or has deteriorated." The 100 Club of 1988 may be characterized by the fact that virtually all enterprises which significantly improved their export positions also advanced in their profitability ranking. This does not mean, however, that enterprises which made significant advancement in their profitability ranking also advanced in their export ranking.

Methodology

[Box, p 6]

The business and industrial organizations enumerated in this ranking are overwhelmingly small- or medium-sized enterprises, cooperatives, limited liability corporations, or stock corporations. Several organizations which changed their organizational form from state enterprises into stock corporations are also among the most profitable 100. Among the 100 most profitable firms we find 31 organizations not included in the 1987 ranking. This points to the fact that in this group of enterprises—undoubtedly—enterprise mobility is incomparably larger than among enterprises in the 100 Club. It may be assumed, however, that as quickly as one or another firm became a member of the 100 most profitable organizations, it could just as quickly say farewell to that status, either by being squeezed out of that classification, or by falling behind.

Balance: the balance (profit and loss) of Table II, Lines 33-35, of the balance sheet at the end of the fiscal year. Net sales revenues: Table II, Line 12, column "1" (sales revenues, plus price supplement, minus sales tax, minus consumption tax) of the balance sheet. Gross wages: Wages, plus other expenses having the character of wages, plus (domestic and foreign travel expense and per diem, minus amounts paid for long term foreign assignment) times 25 percent, plus amounts paid for long-term foreign assignment, minus sick pay for the first 3 days of disability, minus (welfare payments times 0.4). Average committed assets: The annual average of the net value of fixed assets related to enterprise activity (pro-duced and purchased inventories, minus the revaluation of internally produced and purchased inventories).

The position of a few significant exporting enterprises has significantly worsened in the ranking based on profitability proportionate to sales revenues, e.g. Taurus dropped from 25 to 41, Tungsram from 37 to 67, and Budapest from 70th to 98th place.

Table 1
Distribution of Largest Enterprises by Number of Employees

Number of Employees Number of Enterprises

More than 10,000	9
5,000-10,000	21
2,000-5,000	48
Total:	78*

*Enterprises with less than 2,000 employees not included.

Table 2
Distribution of the 100 Largest Enterprises on the Basis of Significant Indexes

Index	Over 10 billion forints	5-10	2-5	1-2	0.5-1	Less than 0.5	Total number of enterprises
Production value	20	31	49	-	-	-	100
Gross fixed assets	21	24	35	18	-	-	98*
Exports	5	7	23	17	10	38	100
Domestic sales	18	22	50	7	2	1	100

*Enterprises with fixed assets valued at less than 1 billion forints not included.

Sequence by 1988	Production Value 1987	Name of Enterprise	Number of Employees	Gross Fixed Assets	Export Sales	Domestic Sales
1	1	Duna Crude Oil	67	4	3	1
2	2	Great Plains Crude Oil & Natural Gas	47	2	56	3
3	9	Hungarian Electric Trust	99	96	88	2
4	6	Tisza Chemical Combine	23	5	6	7
5	5	Duna Iron Works	7	3	8	5
6	3	Hungarian Railroad Car and Machine Works (Raba)	3	6	2	20
7	4	Ikarus Chassis and Vehicle Mfg. Works	14	30	1	87
8	7	Paper Industry Enterprise	6	7	32	4
9	8	Videoton Electronics	2	29	4	30
10	13	Szkecsfehervar Light Metal	45	23	12	13
11	15	Borsod Chemical Combine	24	11	13	14
12	10	Lenin Foundry	5	10	17	10
13	12	Taurus Rubber	11	25	9	27
14	14	Kobanya Pharmaceuticals	25	24	5	67
15	11	Csepel Auto	17	36	23	11
16	20	Vegetable Oil and Detergent Mfg.	58	39	15	24
17	16	Budapest Gas	65	14	78	12
18	18	Ozd Foundry	9	16	22	15
19	19	Tungsram, Inc.	1	27	7	77
20	21	East of the Tisza Gas Service Co.	52	42	93	18
21	33	Paks Nuclear Power	49	1	92	19
22	34	Csepel Metal	79	49	35	21

Table 3
Ranking of the 100 Largest Industrial Enterprises on the Basis of Value Produced in 1988

Table 3
Ranking of the 100 Largest Industrial Enterprises on the Basis of Value Produced in 1988

Sequence by Production Value 1987	Name of Enterprise	Number of Employees	Gross Fixed Assets	Export Sales	Domestic Sales
23	Chinoin Pharmaceuticals & Chemical Products	36	37	11	74
24	Hungarian Cable	64	48	34	23
25	Crude Oil & Natural Gas Mining	32	9	100	25
26	Tisza Crude Oil	97	34	51	9
27	Egis Pharmaceuticals	42	43	14	69
28	Nitrochemical Ind. Plants	37	40	27	33
29	Budapest Candy Mfg.	57	81	64	17
30	Ajka Aluminum Oxide & Aluminum Foundry	61	44	10	80
31	Glass Industry Works	15	41	49	28
32	Csepel Iron	59	51	44	29
33	Biogal Pharmaceuticals	72	60	38	40
34	Tisza Power Plant	87	22	94	31
35	Duna Thermal Power Station	96	21	95	32
36	Pet Nitrogen	56	15	19	78
37	Compact Commercial Packaging	85	90	80	26
38	Refrigeration Equipment	31	70	25	59
39	Tatabánya Coal Mines	16	17	67	37
40	Southern Plains Gas Service Co.	89	52	96	34
41	Budapenn Textile Printing	13	45	31	60
42	Veszprem Coal Mines	12	32	74	38
43	Ganz Danubius	21	100	18	96
44	Foundry Base Materials	66	56	83	35
45	BHG Communications	10	68	24	70
46	Mecsek Coal Mines	8	20	86	45
47	Borsod Coal Mines	4	33	97	39
48	Graboplast Gyor Weaving & Synth. Leather	69	66	40	58
49	Szeged Salami & Meat	74	75	36	76
50	Crude Oil Research	54	28	81	36
51	Masierfi Weaving	28	62	48	46
52	Durable Goods Ind. Combine	40	65	21	90
53	Pannonia Synthetics	84	59	55	43
54	Dorog Coal Mines	27	35	79	44
55	Gagarin Thermal Power	83	19	98	48
56	Salgotarjan Foundry	62	72	53	49
57	Tisza Chemicals	86	63	57	55
58	Budapest Thermal Power	94	38	99	50
59	Budapest Chemicals	92	74	70	52
60	Diosgyor Machine	18	54	28	84
61	Machine Tool Industry Works	39	89	26	94
62	Oroszlany Coal Mines	19	26	91	57
63	Central Dunantul Gas Company	90	64	89	54
64	Cement & Lime Works	60	12	71	47
65	Komarom Crude Oil	95	61	63	51
66	Budalakk Paint & Synth. Resin	98	98	75	41
67	Concrete & Reinforced Concrete Works	26	55	77	42
68	Lower Maitra Coal Mines	20	31	90	56
69	Almasfuzito Aluminum Oxide	91	53	16	99
70	Budapest Meat Industry	77	85	60	73
71	Ganz Electric	41	67	52	68
72	Budapest Dairy	73	87	82	75
73	Pest County Synthetics	71	84	59	62
74	Caola Cosmetics & Household Chemicals	88	76	69	53

1988 Sequence

Table 3
Ranking of the 100 Largest Industrial Enterprises on the Basis of Value Produced in 1988

Sequence by Production Value 1988	1987	Name of Enterprise	Number of Employees	Gross Fixed Assets	Export Sales	Domestic Sales
75	95	Hungarian Viscose	76	46	58	64
76	67	Orion Radio & Electric	46	91	62	61
77	80	Gyor-Sopron County Livestock & Meat	70	95	50	83
78	78	Northern Hungary Chemicals	75	57	43	85
79	90	Kobanya Brewery	50	47	85	22
80	39	Budapest Electric Works	55	8	76	6
81	82	Papa Meat Combine	68	83	39	89
82	81	Fine Mechanics	38	77	20	100
83	-	December 4 Wire	80	86	47	79
84	92	Alkaloida Chemicals	82	71	42	91
85	85	MMG Automatics	33	79	41	86
86	-	Weapons and Gas Appliances	53	82	72	66
87	42	Northern Dunantul Electric	43	13	84	8
88	96	Decorative Textiles	30	73	66	63
89	70	Tiszantul Electric	51	18	87	16
90	94	Hajdusag Ind.	63	80	65	65
91	93	Gyula Meat Combine	81	93	46	88
92	-	Buda-Flax Mill and Weaving	48	99	61	72
93	91	Telephone Factory	35	78	30	95
94	79	Microelectronics	44	58	37	92
95	100	Hungarian Roller Bearing	29	50	45	93
96	84	Hungarian Optical Works	22	69	29	97
97	98	Tisza Shoe	34	88	54	82
98	-	Keckemet Poultry Processing	78	92	33	98
99	-	Hajdu County Dairy	93	94	73	81
100	-	United Chemical Works	100	97	68	71

Note:
Ranks 1-20: more than 10 billion forints
Ranks 21-51: between 5 and 10 billion forints
Ranks 52-100: between 2 and 5 billion forints

Table 3a
Ranking of Industrial Trusts on the Basis of Production Value

Ranking by Production Value 1988	1987	Name of Trust	1988 Rank	Number of Employees	Gross Fixed Assets	Export Sales	Domestic Sales
1	1	National Crude Oil and Gas Industry Trust	2	2	2	1	1
2	2	Hungarian Electric Works Trust	1	1	1	5	2
3	4	Hungarian Aluminum Industry Trust	4	3	3	2	3
4	6	Wheat Trust	3	3	4	6	4
5	5	Dairy Enterprises Trust	5	5	5	3	5
6	7	Brick and Tile Industry Trust	6	6	6	8	6
7	8	Hungarohemp Hungarian Hemp Trust	7	7	7	4	7
8	9	Forcon Machine Tool Industry Trust	8	8	8	7	8

Table 4
Ranking of the 100 Largest Industrial Enterprises on the Basis of Profitability in 1988

Ranking based on enterprise profits proportional to sales revenues 1988	Name of enterprise	Enterprise profits
1	Hungarian Viscose	Per 100 forints of wage income 8
2	Tisza Chemical Combine	Per 100 forints of committed assets 3
3	Borsod Chemical Combine	Per 100 forints of resources 5
4	Egis Pharmaceuticals	Per 100 forints of resources 8
5	Crude Oil and Natural Gas Mining	Per 100 forints of resources 23
6	Szekestehervar Light Metal	Per 100 forints of resources 4
7	Crude Oil Research	Per 100 forints of resources 34
8	Pest County Synthetics	Per 100 forints of resources 12
9	MMG Automatics	Per 100 forints of resources 35
10	Vegetable Oil & Detergents	Per 100 forints of resources 6
11	Hungarian Railroad Car and Machinery	Per 100 forints of resources 22
12	Biogal Pharmaceuticals (Raba)	Per 100 forints of resources 10
13	Hungarian Roller Bearing	Per 100 forints of resources 24
14	Ajka Aluminum Oxide & Aluminum Foundry	Per 100 forints of resources 31
15	Pannonia Synthetics	Per 100 forints of resources 13
16	December 4 Wire	Per 100 forints of resources 14
17	Kobanya Pharmaceuticals	Per 100 forints of resources 20
18	Almasfuzito Aluminum Oxide	Per 100 forints of resources 16
19	Decorative Textile	Per 100 forints of resources 45
20	Gagarin Thermal Power Plant	Per 100 forints of resources 32
21	BHG Communications	Per 100 forints of resources 51
22	Tisza Chemicals	Per 100 forints of resources 16
23	Komarom Crude Oil	Per 100 forints of resources 19
24	Pet Nitrogen	Per 100 forints of resources 36
25	Caola Cosmetics and Household Chemicals	Per 100 forints of resources 24
26	Hungarian Cable	Per 100 forints of resources 18
27	Microelectronics	Per 100 forints of resources 54
28	Kobanya Brewery	Per 100 forints of resources 43
29	Veszpremi Coal Mines	Per 100 forints of resources 46
30	Mecsek Coal Mines	Per 100 forints of resources 64
31	Telephone Factory	Per 100 forints of resources 50
32	Compact Commercial Packaging	Per 100 forints of resources 20
33	Fine Mechanics	Per 100 forints of resources 47
34	Tisza Shoe	Per 100 forints of resources 33
35	Weapons & Gas Appliances	Per 100 forints of resources 34
36	Refrigeration Equipment	Per 100 forints of resources 26
37	Szeged Salami and Meat	Per 100 forints of resources 29
38	Nitrochemical Plants	Per 100 forints of resources 42
39	Tisza Crude Oil	Per 100 forints of resources 40
40	Budalakk Paint & Synthetic Resin	Per 100 forints of resources 15
41	Taurus Rubber	Per 100 forints of resources 25
42	Chinoin Pharmaceuticals & Chemical Products	Per 100 forints of resources 45
43	Ikarus Chassis & Vehicle	Per 100 forints of resources 19
44	Duna Iron Works	Per 100 forints of resources 42

Table 4
Ranking of the 100 Largest Industrial Enterprises on the Basis of Profitability in 1988

Ranking based on enterprise profits proportional to sales revenues 1988	Ranking based on enterprise profits proportional to sales revenues 1987	Name of enterprise	Enterprise profits	Per 100 forints of wage income	Per 100 forints of committed assets	Per 100 forints of resources
45	30	Budapest Chemicals	32	37	28	28
46	17	Northern Hungary Chemicals	51	54	52	57
47	41	Ganz Electric	61	58	57	64
48	47	Cement & Lime	50	73	64	47
49	65	Graboplast Gyor Weaving and Artificial Leather	46	44	47	27
50	-	Hajdu County Dairy	33	13	27	59
51	44	Durable Goods Ind. Combine	57	67	80	44
52	68	Borsod Coal Mines	86	66	59	44
53	53	Budapest Gas	25	62	44	11
54	69	Great Plains Crude Oil and Natural Gas	4	32	30	33
55	61	Csepel Metal Works	30	41	30	43
56	60	Gyula Meat Combine	38	21	33	61
57	51	Gyor-Sopron Livestock & Meat	47	22	43	67
58	43	Orion Radio & Electric	67	61	61	59
59	42	Masterfil Weaving	72	49	67	60
60	31	Hajdusag Industries	66	57	60	26
61	-	United Chemicals	28	35	62	71
62	23	Glass Industries Works	76	65	71	68
63	63	Salgotarjan Foundry Works	68	56	62	78
64	62	Budapest Candy	44	55	62	75
65	75	Papa Meat Combine	63	51	56	63
66	57	Csepel Iron Works	64	63	63	77
67	37	Tungstam Inc.	84	69	70	65
68	40	Paper Industries Enterprise	70	74	70	69
69	45	Csepel Auto	65	68	65	79
70	96	Southern Plains Gas	48	71	58	68
71	97	(Central Dunantul Gas	62	72	68	72
72	77	Duna Crude Oil	14	59	38	78
73	4	Videoton Electronics	80	75	78	90
74	93	Ozd Foundry	81	76	75	90
75	34	Alkaioida Chemicals	74	78	75	92
76	58	Paks Nuclear Plant	82	93	90	81
77	78	Duna Thermal Power Plant	53	82	86	88
78	59	Budapest Thermal Power Plant	69	83	84	88
79	90	Foundry Base Material Preparation	58	70	84	92
80	38	Concrete and Reinforced Concrete Works	87	79	72	89
81	94	East of the Tisza Gas	71	77	72	82
82	87	Hungarian Electric Works Trust	1	1	1	83
83	9	Machine Tool Industry Works	90	77	82	87
84	84	East of the Tisza Electric	77	86	81	83
85	89	Lower Matra Coal Mines	92	85	86	82
86	-	Kecskemeti Poultry Processing	88	85	83	89
87	86	Budapest Meat Industry	85	81	83	82
88	83	Budapest Electric Works	75	87	82	89
89	76	Tisza Power Plant	83	91	89	82

Table 4
Ranking of the 100 Largest Industrial Enterprises on the Basis of Profitability in 1988

Ranking based on enterprise profits proportional to sales revenues	1988	1987	Name of enterprise	Enterprise profits
90	85	90	Northern Dunantul Electric	Per 100 forints of committed assets
91	92	91	Lenin Foundry	Per 100 forints of committed assets
92	81	92	Budapest Dairy	Per 100 forints of committed assets
93	-	89	Buda-Flax Flax Mill & Weaving	Per 100 forints of committed assets
94	71	95	Oroszlany Coal Mines	Per 100 forints of committed assets
95	91	94	Dorog Coal Mines	Per 100 forints of committed assets
96	24	96	Hungarian Optical Works	Per 100 forints of committed assets
97	-	97	Tatabanya Coal Mines	Per 100 forints of committed assets
98	70	98	Budapest Textile Printing	Per 100 forints of committed assets
99	72	99	Ganz Danubius	Per 100 forints of committed assets
100	74	100	Diosgyor Machine	Per 100 forints of committed assets

Table 5
The 50 Most Profitable Industrial Organizations Ranked on the Basis of Profits Proportional to Sales Revenues in 1988

Name of Company	1988	1987	Ranking
Thermoflex, Ltd.	1	-	-
Monopharm, Ltd.	2	2	-
PCB Electronic Printed Circuit Board Mfg. and Sales, Ltd.	3	-	-
Oiler Mfg., Ltd.	4	-	-
Koszeg Clothing Industry Coop.	5	6	-
Hunaroma Food Industry Aroma Mfg., Ltd.	6	-	-
Technomark Mixed Industry Mfg., Ltd.	7	8	-
Elektroszer, Ltd.	8	-	-
Diadal Clothing Industry Coop.	9	4	-
Videoton Automatics KV [joint enterprise]	10	-	-
Modultechnika, Ltd.	11	-	-
Somapak Packaging Machine Mfg., Ltd.	12	549	-
Herend Porcelain	13	11	-
Fotav-Isolrohr Remote Heating Conduit Mfg., Ltd.	14	35	-
Pest County Refrigeration Industry KV	15	-	-
Vorpa Machine Mfg., Ltd.	16	53	-
Polifoam Synthetics Processing, Ltd.	17	229	-
Pillech Heating Material Mfg., Ltd.	18	42	-
Tolna County Clothing Industry Coop.	19	19	-
Videoton Computer Sales and Service Subsidiary	20	-	-
Commercial Machine Mfg. Company	21	-	-
Motorized Vehicle and Marketing, Ltd.	22	-	-
Synthetics and Textile Processing Home Industry Coop.	23	97	-
Dixat Clothing Company	24	117	-
Peza Furniture Technology, Ltd.	25	-	-
Aluminum Industry Planning and Research Institute	26	1097	-
Csepel Machine Tool Mfg. Inc.	27	-	-

Table 5
The 50 Most Profitable Industrial Organizations Ranked on the Basis of Profits Proportionate to Sales Revenues in 1988

Name of Company	1988	Ranking
Graboplan Technical Confection, Book Binding and Insulation Material Mfg.	28	-
Csepel Apparatus and Tool Mfg. Inc.	29	-
Locksmith Industry and Commercial, Ltd.	30	-
A&L Gyor Alfesz—M. Leter, Ltd.	31	21
Ganz Electric Relay Subsidiary	32	202
First Hungarian Coop. Brewery	33	-
Selectronic Communications Technology Mfg. & Sales	34	365
Ljpest Handicapped Ind. Coop.	35	43
Braiding Mfg.	36	303
Agro-Frukt Inc. Csenger	37	-
SK 12 Confections Ind. and Commercial, Ltd.	38	-
Mohacs Clothing Ind. Coop.	39	123
Quality Linen Coop.	40	972
Szeged Mass Product Mfg. Ind. Coop.	41	83
Psoricur Biological Materials Mfg. Inc.	42	-
VAEV-Bramac, Ltd.	43	39
Pecs Glove & Decorative Leather Ind. Coop.	44	10
Pecs Bakery Co.	45	195
Comtec Electronics Systems (Organizing and Installing Customs Free Zone, Ltd.	46	-
Oxygen and Dissolved Acetylene Co.	47	27
Szekszard Printing Co.	48	130
Weid-Pack Ind. and Service, Ltd.	49	-
Remix Szombathely Subsidiary	50	57

Note: Among the 100 most profitable business and industrial organizations, profitability in proportion to sales revenues ranges between 67.62 and 15.65 forints.

'Workers Councils' Challenge Union Role

Background at Herend Porcelain
25000413b Budapest NEPSZABADSAG in Hungarian
8 Aug 89 p 4

[Text] In response to workers' demands the system and payment schedule of premiums has been changed at the Herend Porcelain factory. The decision was reached after 100 mid- and upper-level management personnel premiums were paid on the basis of semiannual results, while 1,500 physical laborers did not receive a penny. Workers were told they would receive premium payments at the end of the year.

Workers felt this was unfair and expressed their views to the factory's leaders. They disagreed not only with the schedule of payments, but also with the idea of changing regulations to the effect that this year physical laborers would receive only one-half or one-third of the premium that was deemed fair earlier.

The management of Herend Porcelain found the workers' outrage justified. The mistake will be corrected

promptly, according to a statement made to MTI [Hungarian Telegraph Agency] by President Bela Felek and Enterprise Council Chairman Laszlo Nagy.

Council Bylaws Approved

25000413b Budapest NEPSZABADSAG in Hungarian
16 Aug 89 p 5

[Article by Janos Czingerber: "This Is Not a Political Organization: Workers Council Bylaws Adopted at Herend"]

[Text] So that workers would have time to familiarize themselves with the workers' council proposed bylaws before they make a decision, copies of the bylaws were handed out when work began yesterday morning at the Herend Porcelain Factory. (Obviously, this action may be credited for the document's adoption without any major debate by between 300 and 400 participants at a workers rally that afternoon. Emotions became heated only when the Solidarity Workers Federation and a representative of the Social Democratic Party recommended a different

solution by which the workers' interests can be protected. At that time it could be felt that the workers of Herend had a well thought out concept concerning the new kind of organization.

As adopted, the bylaws provide that workers who joined other organizations representing interests—such as the trade union—cannot be members of the workers council, nor can persons who exercise the employer's prerogatives. The organization intends to become involved not only in the development of the collective bargaining agreement, but also in defining the enterprise strategy, in decisions related to improved production and to the utilization of enterprise assets. The workers council demands that leaders—not present at the meeting—reveal all information to the workers council, except secrets as those are construed in the narrowest sense. The organization's activities will be directed by a two-member presidium and by workers delegates attached to the presidium. They empowered a 3-month provisional presidium to manage the council's affairs.

We requested that a leader of the presidium, porcelain painter Imre Palkovics, provide information. He has been the workers' spokesman from the outset. (This paper presented his views earlier with regard to the exploding wage dispute at Herend as a result of premiums paid to management. A majority of the workers found the enterprise trade union committee unfit to represent workers' interests.)

[NEPSZABADSA] You are first in selecting this form of establishing independent interest representation. Why did you decide this way?

[Palkovics] There is no such organization in the country, and aside from 1956 there has never been such an organization. We do not want to rekindle the old form; it is for this reason that we provided the organization an accurate name. Herend Porcelain Factory Workers Council 1989. The Veszprem Hungarian Democratic Front's [MDF] lawyer helped us bring about the entire form by adjusting the opportunities implicit in the workers councils to present needs. In this way the need for interest protection may be combined with workers' autonomy.

[NEPSZABADSA] You purposely brought the situation to a head with the trade union. You gave a choice to workers. They could join either this organization or the other. What is the reason for this decision?

[Palkovics] We believe that the trade union has finished playing its role. They had 2 or 3 decades, but this is where we got. But regardless of this, the branch trade union representative is walking around in the plant, agitating workers and distributing fly sheets. Our associates can decide for themselves freely as to what they want to join. I think that the past decades have left deep impressions in a majority of the people, and their choice is beyond doubt.

[NEPSZABADSA] Can party members join the workers council?

[Palkovics] We oppose dual membership only in regard to interest representation. In this respect I must also emphasize that the workers council is not a political organization. It intends to represent the workers within the plant exclusively, and independent from this, the workers may be active in any party they want to.

[NEPSZABADSA] These days the Herend Porcelain Factory is filled with loud debate. Will this not hurt production?

[Palkovics] It is apparent that due to new information received, internal debate, and conversations, there is more stalling, and this is not good. We ask the workers not to reduce production. It is not our purpose to disintegrate an enterprise that functions well. Management has promised to narrow the circle of persons receiving premiums, and beginning next year the amount of premiums will depend on the basic wages and on work performed. This also provides greater incentive for workers.

Dr Balazs Horvath, MDF board member and head of the Veszprem MDF organization, provided legal assistance at the meeting by interpreting individual paragraphs. We asked him: Why did they recommend the establishment of workers councils to the Herend workers?

[Horvath] We believe that the trade union has become so much a part of management that it is not suitable to represent workers. The structure itself is bad, and its preservation would provide an opportunity to the present, often discredited core of people to save themselves for the period following renewal. We are not against the existence of a trade union. Instead we believe that along with the trade union there should exist strong, independent organizations which realize workers self-governance.

Pet Nitrogen Council Formed

25000413b Budapest NEPSZAVA in Hungarian
17 Aug 89 pp 1, 7

[Article by H.L.: "Invited and Uninvited Speakers at the Demonstration: The Existence of Pet Is at Stake"]

[Excerpt] Who made the decisions which brought us to this point? Enterprise management is responsible, particularly the former president of the enterprise and his local supporters, but at least as much responsibility must be assigned to the government, because many of the decisions were made there, according to Istvan Nagy, Pet Nitrogen Works worker and trade union committee member. These words were spoken on behalf of the trade union committee, officially, on a demonstration held Wednesday at Pet. Unofficially, with no microphone—because the microphone was disconnected by the trade union!—Chief Steward Laszlo Becker shouted the following words until his throat got sore:

viability and the values of our firm through productive, disciplined work, and with results in the marketplace."

At this point it seemed as if the demonstration had ended. Representatives of the trade union committee left the steps which were chosen to be the podium. At that moment, "daringly and uninvited," a man stepped forward. He would speak through the microphone, but it was silent. They disconnected it. Laszlo Becker commanded his vocal cords to speak out loud.

"Stay here, my fellow workers! Don't leave! I want to tell you that the trade union did not agree that I may speak. This morning's extraordinary trade union committee meeting rejected me. Why? Why shouldn't anyone talk? Men! Our future is in danger. And there is no organization around us that will represent our interests properly. Effective today we are establishing a workers council to shake up the ossified union. We want real interest representation! We condemn the secretive, anti-democratic method of management, we demand changes in the organizational rules. We demand that the trade union secretary and president resign."

The crowd, which a moment ago was prepared to disperse, returned and exclaimed "Vivat!" many times. ("Our future depends on what takes place now," [passage omitted] "Thus far they have disregarded us. But the time to speak out, the time to exercise control has come. We will not shrink from acceding to any peaceful and legitimate means to enforce our interests."

A roar of applause swept the small plaza. [passage omitted] Becker steps down.

[NEPSZAVA] "Why do you want to establish a workers council?"

[Becker] This trade union of ours is unfit to protect interests. It cannot decide whether it represents the enterprise or the workers.

[NEPSZAVA] Just now the chemists trade union has announced its support of your efforts.

[Becker] We need deeds, not words. [passage omitted]

[The journalist seeks answers from Laszlo Transzky, chemist union committee secretary, and Mrs. Jozsef Mayer, union president]

[NEPSZAVA] Why did you prevent Laszlo Becker from speaking?

[Mayer] Because we organized this demonstration! Therefore we have the right to speak! We did not schedule any party or organization to speak. We told Laszlo Becker that we will hold a workers' meeting on Friday, after the government meeting. Everyone may express his views at that meeting.

[NEPSZAVA] But Laszlo Becker is a member of the trade union. He is a chief steward.

"As of today we are establishing a workers council, so that we shake up the ossified trade union which we do not accept. We want real interest representation! We demand that the trade union secretary and chairman resign!" [passage omitted]

The 3,500 workers have been restless for a long time over the future of their workplace. The inordinate and incompressible prolongation of enterprise bankruptcy reorganization has strained their nerves, and the uncertainty of their livelihood has descended upon them like a dark cloud. [passage omitted]

Istvan Nagy, an ammonia plant worker and the designated spokesman for the demonstration organized by the trade union appears at the microphone. [passage omitted]

"We are here to prevent an action which will topple this enterprise into the grave. The question is whether the burial of the enterprise is unavoidable. We are convinced that it is avoidable. The cure is cheaper and more useful than a funeral that creates precedent. [passage omitted]

"Following the consummation of the Soviet-Hungarian agrochemical agreement a large part of the factory's products were excluded from the markets," an outraged Nagy continued. "It was at that time that the government relaxed the export prohibition, and later, exportation was made the enterprise's duty. This was the point which brought about ad hoc management and a resultant series of case-by-case determinations. As a result of these, Pet Nitrogen Works' economic sensitivity, its interest in the market was reduced to a minimum

"Who made the decisions which brought us to this point? Whom do they want to blame for the consequences of mistaken decisions? The workers? Their lot is existential insecurity, while some of those responsible retain their leading positions, and others enjoy early retirement. We may include here our enterprise's former president, together with the 1-million-forint premium he received in recognition for last year's good work. [passage omitted]

"Tomorrow we will need a government decision as a result of which the livelihood of those who work here is not endangered, which is consistent with the interests of this country, and which does not sacrifice our enterprise and its workers for the sake of economic rationale and what seem to be momentary political advantages."

(While the bankruptcy reorganization group considered a number of alternatives, such as the establishment of a stock corporation in search of recovery, the Ministry of Finance recommended the financial liquidation of the enterprise. This is what the speaker means by "sacrifice." The editor.) [passage omitted]

"Based what has been said, we expect a decision which enables a long overdue renewal in terms of internal thinking, organization, and personnel. We will prove our

way, the Hungarian economy which began its journey in the direction of opening up, became more vulnerable than, for example, the Czechoslovakian economy which maintained its isolation.

True, the flow of credit did not halt; Hungary may be able to manage its current debt burden for quite some time. It can do so, however, only at the price of further increasing the frightening impoverishment of part of the population, and only if social tensions become strained to an unbearable level. This would also render the change of regime questionable, because the high income enjoyed by part of the new entrepreneurial stratum would be in sharp contrast with long-term decline in the real income of broad strata of wage earners. Equally, there would be no appropriate way to manage social problems, such as unemployment. The wave of emigration which strikes the country from both an economic and a moral standpoint would become permanent.

In this way then, the already audible demagogic voices which claim that the crisis was caused by the attempt to become part of the global market, and that the only way out presents itself in the unilateral termination of the indebtedness and in isolation rather than an approach toward Europe, would increase. Although the voices of Fidel (Castro style economic nationalism are still weak in Hungary, their traces can be found in the manifestation of the National Council of Trade Unions [SZOT] and the Patriotic People's Front [PPF] experts. It is easy to resist mass support for this kind of demagogery if the situation continues to hopelessly deteriorate. The strengthening of these trends would favor a situation in which political and economic authoritarianism gains the upper hand. This would present a severe hardship for the Hungarian people, and would also be contrary to the interests of foreign lenders, because one would have to count on political destabilization in Hungary, while there would be no chance at all for the repayment of loans.

However untenable the positions are of those who advocate the suspension of credit repayments, it is difficult to argue with some of their reasoning. This includes the following: The creditors acted in an irresponsible manner vis-a-vis their own stockholders and depositors when they agreed to finance obscure plans which did not assure repayment. Part of the Hungarian population, experiencing the consequences of debt crisis on its own skin, believes—not without any foundation—that in addition to the irresponsible conduct of previous Hungarian leaders it also must pay for the errors made by Western banks. It is also an unquestionable fact that high and unpredictably fluctuating international interest rates were caused by budgetary deficits in certain Western countries, and by functional disturbances in the global economy, circumstances for which Hungary could be hardly blamed.

What should be done? Quite naturally, there is a continued need for new loans. It is apparent, however, that the financial pressure choking the Hungarian economy cannot be lifted by granting credit alone. The primary

[Major] But he is being influenced.... And anyway, this demonstration was conducted according to a script.

[NEPSZAVA] But by now you can no longer act on the basis of a script. Life always interferes.

[Major] It was a shame in this instance. It is possible that it will worsen our chances at the government....

[Transzky] Interesting. There were elections 2 months ago. And here we are. [passage omitted]

Opposition Discusses Need for EC Support

Credit Alone 'Not Enough'

2500390 Budapest HETI VILOGAZASAG
in Hungarian 5 Aug 89 pp 4-5

[Article by economists Tamas Bauer and Marton Tardos, and philosopher Janos Kis, all members of the Alliance of Free Democrats National Advisory Council; and by economic historian Istvan Rev and economist Karoly Attila Sos, economic experts for the Alliance "Capitalist Support for Hungary: Target Premium"]

[Text] Last Tuesday [1 Aug] in Brussels experts from 24 developed capitalist countries held their first negotiations concerning possible economic support for Hungary and Poland. What goals should the West pursue, and what are Hungary's perspectives regarding such support? The authors of this article sought answers to these questions. They are: economists Tamas Bauer and Marton Tardos, and philosopher Janos Kis, members of the Alliance of Free Democrats national advisory council; economic historian Istvan Rev, and economist Karoly Attila Sos, the Alliance's economic experts.

Many agree in the West: Through liberalization and by alleviating the flow of capital, an appropriate economic environment must be established in order to permit Hungary and Poland to begin to put an end to their social and economic crisis. We agree with this concept. On the other hand, we are convinced that no support of any kind can resolve our concerns unless a functioning multiparty democracy and a Western-type market economy evolve. It is worth negotiating only if there are assurances that the process of regime changes progresses further. If the processes of change do not slow down, it is in the interest of the West to provide support beyond alleviations, during a period when changes in the system present a serious, temporary economic burden.

During the past decade and a half the communist regime sustained itself with the help of huge Western loans. It used a decisive part of these credits to preserve the economic structure established in the Stalinist planned economy, which cannot secure repayment of the debt burden. The 1968 economic reform proved to be insufficient, dependence on CMEA weakened but did not adapted itself to global economic changes only in a delayed fashion, and inconsistently. Thus, in an odd

IMPORTS
Total: 472.5

119.9 EFTA 113.8

Legend for Imports:

- Other 275.8
- 10.6 US
- 6.9 Japan
- 0.5 Canada
- 0.8 Australia
- 0.2 N. Zealand
- 57.8 EFTA 50.3

EXPORTS
Total: 504.1

Legend for Exports:

- Other 316.4
- 14.9 US
- 5.1 Japan
- 2.3 Canada
- 1.2 Australia
- 0.1 N. Zealand
- 57.8 EFTA 50.3

Regions included in EFTA: Belgium and Luxembourg, France, Holland, FRG, Italy, Denmark, Ireland, Great Britain, Greece, Portugal, Spain, Austria, Iceland, Norway, Sweden, Switzerland and Liechtenstein, Finland.

If a serious chance for joining the European Community were to present itself, the change in regimes would be

accelerated. This would also serve as one of the guarantees for the irreversibility of changes. We believe that the government of Hungary must clearly declare its intention to join the European Economic Community and that the EC should agree to begin negotiations concerning the schedule of Hungary joining the EC.

Hungary needs support, not aid. Its needs a call for the termination of discriminatory measures and for normal, continuous economic and political relations based on mutual recognition of interests, guaranteed at the institutional level. Help to accomplish a more advantageous situation in European countries not inhibited by external forces has been a normal condition for a long period of time. This help must be made available now, at a time when an opportunity for change in the political and economic system has presented itself. This opportunity will not repeat itself soon. If the change in the system is indeed accomplished, the assistance provided can be advantageous from the standpoint of both the Hungarian people and the Western investors. At the same time, however, the change in the system can be accomplished only if Western governments provide appropriately timed assistance to its accomplishment.

EC Delegation Arrives

25000390 Budapest HETI VI. AGAZDASAG
in Hungarian 5 Aug 89 p 5

[Unattributed article: "The Hungarians Asked For It...."]

[Text] Nine days after the Paris summit of seven leading capitalist states authorized the Brussels Committee of the Common Market to organize actions to assist Poland and Hungary, a 4-member factfinding delegation of the committee appeared in Budapest, giving no advance notice. The delegation was headed by British Diplomat Adrian Fortescue, part of the second echelon of the Brussels hierarchy. (In 1983-84 he was the first ranking official at the British Embassy in Budapest.) Fortescue told HVG that although the visit was unexpected, Hungarian government officials were able to accurately define the kind of assistance they are seeking from the 24 developed capitalist countries. The Hungarian party did not have to invent truly novel items, of course. The wish list presented by Hungarian government representative in Brussels last Monday (31 Jul) contained Hungarian requests and needs, most of which have been presented for years—often for decades—but were rejected by our partners. The only difference was that at this time the Hungarian party made its requests more courageously than before. "In this instance we must go beyond realities," according to Szabolcs Fazekas, Ministry of Commerce chief division head, "so that we do not miss, even by accident, the historic opportunity. So that we do not ask for less than what they would provide."

Essentially, the Hungarian requests may be divided into two groups. One group of requests aims for a change in Hungary's status in the global market, and even in global

politics. This need could be summarized briefly by saying that they "revise Hungary's classification so that it is designated a capitalist country." This translates into the free access of Hungarian goods, services, and labor to the marketplace—a situation characteristic of the mutual relations between developed countries—and a discontinuation of the obstacles in the way of the free flow of capital, technology, and knowledge.

This is an outstanding opportunity for the Common Market to liquidate all discriminatory measures in one stroke, and to reach a free trade agreement with Hungary, according to Hungarian government officials.

The most remarkable change in political considerations however, could be brought about by invalidating the future applicability of the COCOM list with regard to Hungary. The COCOM list restricts the exportation of the most highly developed technology to Hungary. Expectations in this regard received a cold shower from a high ranking American government official last weekend when he announced that, despite reforms, the United States continues to be opposed to the relaxation of the COCOM requirements applicable to East European countries.

The other group of requests pertains to financial support. In this relation, however, Deputy Prime Minister Peter Medgyessy used only such vague definitions as the government is looking toward the West for the establishment of "funds to assist new entrepreneurship," and "unrestricted credits guaranteed on the basis of some principles defined in advance." According to Laszlo Antal, chief government counselor, the latter would be administered by the IMF, and would be made available at times when fluctuating Hungarian debt service obligations are at their highest.

The question arises: Is the Hungarian government in a position to provide guarantees that the processes which evoke enthusiasm on part of the West will not come to an end?

If not guarantees, the Hungarian government could provide promises which would be difficult to retract later, according to Antal. Such promises could include a changeover to dollar-based settlement in Hungarian-Soviet trade by 1991, and the establishment of the forint as a convertible currency by 1993.

Insofar as the other party is concerned, Fortescue told HVG that at this time the 24 countries are not establishing any conditions. They are counting on continued liberalization and deregulation, and supposedly "free elections in Hungary would greatly impress the countries participating in this action."

Convertible Forint Envisioned By 1995

2500413a Budapest NEPSZABADSAG in Hungarian
19 Aug 89 p 4

[Text] According to the expert working group convened at the government's request, the forint must be rendered a convertible currency by 1995 at the latest.

Chief counselor to the Council of Ministers Gyorgy Szepesi said that the expert group was convened by the government early this year to examine whether rendering the forint a convertible currency may be placed on the agenda amid the present economic difficulties. The experts responded in the affirmative. In their view, as reform progresses, introduction of the forint as a convertible currency becomes unavoidable by all means. (Otherwise market conditions cannot be fulfilled, structural change cannot be accelerated, and the Hungarian economy will be unable to appropriately integrate itself as the Western European market becomes unified.

Several factors already are hastening this measure in the present economic situation, according to experts. One such factor is the condition that evolved with regard to the economic interest of enterprises and entrepreneurs, and the direction of their activities. The market has not yet acquired a deterministic role in Hungary, and thus it does not direct the steps taken by producers. At the same time, to a large degree the effects of central regulation are on the decline. This is one of the reasons for economic stagnation. To the extent that the forint becomes a convertible currency, the enterprises will have direct relationships with the world market.

The foreign exchange supply provided to the populace also points to the establishment of convertibility. Introduction of the global passport was a politically favorable measure, nevertheless it was unfounded from an economic standpoint. As a result, today one must count on the threat that a dual foreign exchange system will evolve in Hungary. This can be avoided in the long term only by rendering the forint a convertible currency. The conditions for this can be established by the middle 1990's.

U.S. Firm Buys Trading Corporation

2500405b Budapest NEPSZABADSAG in Hungarian
19 Aug 89 p 4

[Article by G.Zs.: "The Buyer Is One of the World's Richest People"]

[Text] The first Hungarian enterprise to become foreign owned is Intercooperation, Inc., a foreign trade company with 162 employees and an annual sales volume of \$70 million. The buyer is the San Francisco based international trading house GETZ Corp. This business organization unites 60 productive and marketing organizations, and is part of the Marmon Group.

The sales agreement was signed yesterday in the Hyatt Hotel by Ferenc Polgar, Intercooperation president.

Workers Establish 'Party-Free Zone'

2500414b Budapest NEPSZAVA in Hungarian
19 Aug 89 pp 1, 7

[Unattributed article: "Today We Are Saying 'No' to the Government"]

[Excerpts] [Passage omitted] ... at the plaza before the bus assembly plant the demonstration called a "warning strike" is beginning. They are protesting increased meat prices.

But is it really only the increased price of meat? [passage omitted]

Loudspeakers fill the air with new statements: "They have wasted billions, yet they claim that there is no money! Indeed, the workers do not have any money..."

Social Service Center chief steward: "We oppose strikes because they go against our pockets. Indeed we were surprised about the trade union's fighting attitude. I will also tell you that there were some who got frightened. But you know why? People are afraid of sanctions. Because don't believe that Stalinism has come to an end in Hungary. You should have seen the mess we got into when we put out a sign in the plant which said 'Party-Free Zone.'" [passage omitted]

Worker: "We did not choose this government. It does not conduct itself as if it were the people's government. I personally approve of today's demonstration, because many thousands of steel workers, and those who joined us with their own 20 or 30 minutes, have conveyed a very important message: that we are fed up. We are fed up with meat price increases, with our wages, with the horror of being thrown out on the street, with everything."

Union steward: "I work in the personnel and social policy division. I would have never thought that I would support the idea of a strike. But we have been living miserably for the past 2 years. And we also recognize that all government actions are against us. Our bitterness caused us to organize this demonstration. The fact that our social policy endears of 5 years ago have become unrealistic. The fact that people are forced to eat bread with lard, and that now we must say 'no' to everything our children want. Today we are saying 'no' to the state leadership." [passage omitted]

Worker: "Six months ago we said we would have to act. The trade union remained silent. A national strike should have been proclaimed in January, because since then the situation has only deteriorated. We now say that chaos has become so large that one cannot see who wants what and why. And in such chaos one can neither live nor work. Does the factory belong to us? It is not ours. In other words, we have gotten to the point that we are not asking and begging, instead we are demanding." [passage omitted]

Robert Pritzker, Marmon Group chairman and president, and Robert Brindley, GETZ Corporation president, Commerce Minister Tamas Beck and U.S. Senator Tom Lantos were present at the signing ceremonies.

Robert Pritzker, famous because he represents one of the ten richest families in the world, revealed that he was of Austrian and Russian origin, and that he established his firm 36 years ago with his brother. His Hungarian contacts began with Raba [Hungarian Railroad Car and Machine Works] of Gyor. He purchased axle housings of excellent quality there. Ede Horvath [Raba president] had a great impact on him. Horvath was instrumental in bringing together the Marmon Group with the Hungarian firm Interooperation, Inc.

Asked about Marmon's objectives with Interooperation, Pritzker responded that "We want to turn it into the world's largest sales enterprise." Turning serious, he said that they intend to transact part of their sales volume through the newly purchased Hungarian firm's apparatus and foreign representation. Interooperation has established presence in countries such as Malaysia where Marmon is not represented.

Pritzker expressed high regard for Interooperation, Inc.'s high standard marketing work thus far, and added that although present president Pitroska Sugar will continue to head the firm, one of GETZ's vice presidents will head activities in Europe based on Interooperation. The name of the former Hungarian firm will not be changed.

Neither the Hungarians nor the foreigners discussed the purchase price. Only a diplomatic remark was made to the effect that the price was a result of hard bargaining. They also stated that before reaching settlement they purchased Interooperation's stock, while assuming the risk that in the event the deal did not fully succeed, there would be no deal at all. The buyer insisted on 100 percent ownership. All 23 stockholders were willing to sell their shares.

Robert Brindley reported that GETZ, established in 1871 more than a century ago, has a sales volume of \$500,000 million in other than consumer goods, while the Marmon Group, with an annual income of \$3.5 billion is engaged mainly in production and is one of the largest industrial enterprises in the United States.

POLAND

GAZETA WYBORCZA Publisher on Logistics of Starting Newspaper

26000652 Warsaw GAZETA BANKOWA in Polish
No 19, 8-14 May 89 p 9

[Interview with Aleksander Paszynski, partner in publishing company AGORA, by Ewa Szczyplinska: "If You Want a Newspaper, Buy Shares"; date and place not given]
[Text] [GAZETA BANKOWA] GAZETA WYBORCZA is an enterprise unknown to the Solidarity generation. How is it being formed?

[Paszynski] The task is not standard because there is no experience due to the speed with which the newspaper

must start publishing, as well as the lack of any structures at all which could publish such a newspaper. Therefore, two moves are made at the same time: The editorial board is being put together, as well as the organizational structure which appears in the capacity of publisher. The fact that the decision on GAZETA was made at the roundtable and we have at least good will on the part of the authorities is a favorable and helpful element.

[GAZETA BANKOWA] Manifested in what manner?

[Paszynski] In facilitating the acquisition of the first delivery of paper, accepting printing orders at the DSP [House of the Polish Word] (and other printing plants), as well as in securing premises (we have several offers).

[GAZETA BANKOWA] We know how the editorial office is being put together, but what about the publishing house?

[Paszynski] It is easier in the case of the editorial office. There are journalists of the independent press and the "lead horses"—professionals who are willing to take a risk. It is more difficult to get managers and support employees, capable and energetic, who are, as a rule, already associated with some companies and for whom the decision to take a risk is more serious. We do not even know what the salaries are going to be, because you must make money in order to pay them. As far as the organizational forms of the publishing house are concerned, we decided to set up an incorporated publishing company (in the future, joint-stock) consisting of three persons: Zbigniew Bugak, Andrzej Wajda and me. At present, we are taking care of the formalities associated with setting the company in motion, whereas the concept of transformation into a joint-stock company entails the need to accumulate funds for the publication of GAZETA.

[GAZETA BANKOWA] What will this company be about?

[Paszynski] A "superstructure" above various undertakings planned. GAZETA WYBORCZA (very costly) is to be published from May until the end of July, that is, until the Sejms structures are established. Subsequently (we assume a month-long break), a daily newspaper of the information agency (which is necessary for publishing a daily newspaper), a photographic and movie (video) agency servicing the TV and other channels of information. Technically, this is going to be a publishing house with multifaceted lines of business. However, we would like the institutions set up to be relatively independent.

[GAZETA BANKOWA] Where is the money to come from?

[Paszynski] In order to get things going, we need a bank loan of 2 billion zlotys, and we are negotiating with the NBP [National Bank of Poland] in this matter, as well as

needed in order to expand the editorial and technical facilities. We want to have our own facilities because placing orders for GAZETA which may reach press runs of 1 million copies will be an extremely difficult task from the technical point of view. This is why in the long run we would like to have our own printing plant, and previously secure several printing plants as partners (having modern equipment available to us).

[GAZETA BANKOWA] Could you give us a cost estimate for an issue of GAZETA?

[Paszynski] Not yet. We are negotiating with the printing plants, and a lot depends on these costs. Much depends on how quickly we can set up our own facilities. We would like to have available the entire production cycle of GAZETA [WYBORCZA] up to the stage of photo-typesetting, so that we could deliver the already prepared columns to the printing plant. However, we should take into account the fact that at the first stage the typesetting will be done at a state-run printing plant, and our printers will learn typesetting; therefore, the cost will be double.

[GAZETA BANKOWA] How much paper must you have, and what will it cost?

[Paszynski] We estimate that we need 1,500 tons for GAZETA WYBORCZA; as far as prices, we are negotiating, just as in the case of typesetting and printing, not only with the DSP but with several printing plants in our country, because GAZETA [WYBORCZA] is going to be transmitted electronically throughout the country with provisions for additionally printing regional inserts.

[GAZETA BANKOWA] What about distribution?

[Paszynski] At the initial stage (the negotiations are over), it will be done through the "Ruch" [outlets of the Workers' Cooperative Publishing House] with us retaining some of the press run in order to try creating our own distribution system. Despite the "Ruch" charging a commission of 27 percent, our own distribution system may not be financially feasible. However, the Solidarity weekly and regional weeklies are being formed and, therefore, we believe that setting up a competing enterprise may be financially feasible. However, discussing this is premature. For now, we would like to open our own sales outlets in major centers on a trial basis, and evaluate the profitability proceeding from this.

[GAZETA BANKOWA] You have mentioned proceeds from abroad. What are the guidelines for transferring funds going to be?

[Paszynski] In this matter, we are also negotiating with the authorities. It is possible to keep the money in the West and make purchases. However, we would like to make an agreement with the authorities which is logical and advantageous for both sides—that we be able to transfer the funds to our account, to sell some reasonably small share of it to the state, and sell the rest at auctions or make purchases with it.

[GAZETA BANKOWA] What is the general financial concept?

[Paszynski] It is based on a foundation which we want to start, on shares with a low face value which will be sold on a broad scale under the slogan: If you want to have an independent daily, buy a share. We also count on gifts and aid from abroad and from within the country, at least in the initial period, until our agencies begin operations (for example, the S. Batory Foundation has given us financial support).

[GAZETA BANKOWA] How much will GAZETA WYBORCZA cost according to current estimates?

[Paszynski] About 150 zlotys.

[GAZETA BANKOWA] This is a lot for a daily.

[Paszynski] Indeed, however, these are preliminary calculations, because the question arises: To what degree would various sponsors want to cover the deficit in the initial phase of publishing the newspaper, and how much money are we going to make in other lines of business? What will the response be to our initiative within the country and in the West, including the Polish emigre community? We know that a collection has been set up for this purpose in various Western communities, those associated with Solidarity, and among journalists. It is also known that we do not have to buy everything we need (throughout the world, new machinery now replaces equipment produced several years ago which we can accept as a gift or lease). If due to such sympathy and support we receive meaningful assets, including those in the form of property, we may be able to reduce the price of GAZETA so as to make it comparable with the prices for other daily newspapers. We count on proceeds from advertisements, including foreign ones.

[GAZETA BANKOWA] You mentioned the issuance of shares. What are the guidelines to be for this enterprise?

[Paszynski] We must have a certain portfolio of preferred stock ensuring efficient management of the company, given the tremendous dispersion of shares will be sold on a massive scale, we would like to set up a shareholder association which will elect, through its chapters, its representatives serving on the board of trustees of the company. This association will also be needed as a representation of GAZETA readers, in order to support various organizational and economic undertakings, for readers' and video clubs, and so forth. Regardless of operations in the country, we want the company to have the right to issue shares denominated in hard currency. After all, hard currency is going to be

~~2, OCT 1989~~

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